



Social & Environmental
Report **2007**

DAIFUKU DAIFUKU CO., LTD.

www.daifuku.com

- 01 Message from the CEO
- 04 Corporate Data
- 06 Highlights
- 08 Corporate Governance
- 09 Integrated Corporate Management System

Social Efforts

- 10 Observance of Regulations
- 11 Information Security System
Human Rights and Employment
- 12 Industrial Safety and Hygiene
- 13 Quality Management System
- 14 Communication activities
- 15 Contributing to the Community

Environmental Policy, Targets and Achievements

- 16 Basic Environmental Policy
- 17 Environmental Objectives, Targets and Achievements
- 18 Business Operation Material Balance
- 19 Environmental Accounting

Environmental Management

- 20 Environmental Management System

Environmental Impact Reduction Efforts

- 22 Energy and Resource Conservation
- 24 Waste Reduction
- 26 Pollutant Emission Reduction and Control
- 28 Green Procurement

- 29 Hini Arata Kan

Column

- 09 Health, Safety and Environmental Message
- 13 ISO Certification at Global Locations
- 15 Cycle House 21 Automated Multilevel Bicycle Parking
- 16 Raising Environmental Awareness
- 19 Environmental Management Level Survey
- 23 Cogeneration System
- 24 Sludge Recycling
- 27 Measures to Reduce Noise and Vibrations

Comment from Environment & Safety Activity Representative

- 12 Shiga Works
- 21 Osaka Headquarters
- 22 Tokyo Head Office
- 25 Komaki Works
- 28 Shiga Works

■ Preface

Daifuku has published an *Environment Report* every year since 2002. This year, however, the format has been expanded to include more content dealing with the social aspects of our activities and the report renamed Daifuku's *Social & Environmental Report*. The new format is intended to illustrate to customers, shareholders and all other stakeholders how we at Daifuku are paying heed to social contribution and environmental conservation concerns in the course of manufacturing and sales. Like its predecessor, Daifuku's *Social & Environmental Report* will be published annually.

Information on social contribution and environmental conservation activities is also accessible via Daifuku's website (www.daifuku.com). In order to improve the report's activity content and overall quality, we would very much like to receive feedback.

■ Scope of This Report

Period covered: April 2006 - March 2007

Note: Some content dealing with activities may include information on activities that took place at times other than the above-mentioned period.

Operations: Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Chubu Tokai Area (Tokai Branch Office), Kyushu Daifuku Corporation, and Contec Co., Ltd.

■ Contact

Daifuku Co., Ltd.
Corporate Social Responsibility (CSR) Dept.
2-14-5 Shiba, Minato-ku, Tokyo 105-0014 Japan
Phone: +81 3 3456 2245 FAX: +81 3 3456 2262
ISO Promotion Group, Production Control
1225 Nakazaji, Hino-cho, Gamo-gun, Shiga 529-1692 Japan
Phone: +81 748 52 4309 FAX: +81 748 52 2963
E-mail : webmaster@daifuku.co.jp



Message from the CEO

Daifuku's 70th Anniversary

K. Takeuchi

Katsumi Takeuchi, President and CEO

Sights Set on World's Top Spot in Material Handling Industry

Having achieved record-high earnings in fiscal 2006 (ended March 31, 2007), Daifuku celebrated the 70th anniversary of its establishment on May 20, 2007. We are truly grateful to all our stakeholders, whose steadfast support and understanding over many years has made these landmark achievements possible.

Daifuku started out as an Osaka-based machinery manufacturer in 1937. Venturing into the business of chain conveyors, which became indispensable to automobile production systems during the 1950s, Daifuku enjoyed rapid growth by riding the crest of the wave of industry that motorization brought with it. The 1960s saw Daifuku developing systems—such as Automated Storage/Retrieval Systems (AS/RS) and the automatic guided vehicle (AGV)—in quick succession for the general manufacturing and distribution industries. From the 1980s, Daifuku diversified into cleanroom storage and conveyor systems for use in semiconductor manufacturing and, in the 1990s, expanded into systems for the production of liquid crystal displays. As a consequence of the globalization of the world economy, which has resulted in the promotion of “customer-localized production and procurement” as a basic management strategy, non-Japan sales currently account for almost 50% of consolidated net sales.

Thus, as a result of consistently offering cutting-edge products and systems that meet the needs of all industries in every country and region, Daifuku has been able to grow into a manufacturer and systems integrator that is vying for the No. 1 and No. 2 positions within these respective sectors of the material handling field. Our efforts have also resulted in the development of car-washing machines, which utilize material handling technologies, and the public listing of subsidiary Contec Co., Ltd., which started out by producing electronic control devices for AS/RS, on the Second Section of the Tokyo Stock Exchange in March 2007.

Corporate Slogan Devised

On the 70th anniversary of its foundation, Daifuku coined its new corporate slogan, “Material Handling and Beyond.” On the one hand pursuing optimal material handling as before, Daifuku is now also hoping to fulfill its ambition of expanding the material handling market in Japan. Providing the means to move things, Daifuku possesses a strong determination to be a company that continues to provide people with excitement and satisfaction.

With the new Three-Year Business Plan, **Jump up for 2010**, which started in April, Daifuku is endeavoring to become a company that maintains the trust of its stakeholders. We respectfully ask for the support of all our stakeholders as we enter the next phase of Daifuku's history.

Daifuku's *Social & Environmental Report 2007*, which describes Daifuku's environmental conservation activities in fiscal 2006, is an introduction to the Company's efforts toward social awareness. We sincerely ask you to consider its contents and ask for your guidance in our ongoing efforts to fulfill the objectives outlined.

August 2007



Message from the CEO



Buildings K and L, Shiga Works

Medium-Term Business Environment

In Japan, private-sector demand is expected to continue along a stable path, with the effects of growing private consumption prompting increased capital expenditure. Outside Japan, while U.S. and European economic conditions will be a source of some concern, it is anticipated that conditions in emerging nations, including China, will continue to be positive and thus to drive ongoing expansion in the global economy.

Fiscal 2007 marks the first year of Daifuku's new Three-Year Business Plan, **Jump up for 2010**. Among the plan's main targets, are an operating income margin of more than 10% and a non-Japan sales ratio of more than 50% for fiscal 2009, ending March 31, 2010, as Daifuku bids to become the undisputed leader in the material handling industry in terms of both product quality and sales volume.

In addition to accomplishing the new three-year business plan, an issue that Daifuku has to address is the establishment of an internal control system.

From the marketing perspective, the robust industrial retrofit and automotive aftermarket business in Japan is giving rise to assets that enhance customer delivery performance. At the same time, further headway is being made in

the China-dominated BRIC economies as well as other markets across Asia.

From the production perspective, under the previous Three-Year Business Plan, *Create a Challenge for the 70th Anniversary*, a significant level of capital expenditure in and outside Japan sustained Daifuku's production capacity at a level sufficient to handle up to 250 billion yen a year in orders. Another urgent issue for the Company has been securing the essential personnel to ensure its future *monozukuri* (craftsmanship) capabilities, especially with regard to the training of global staff, with whom we share the spirit of "Daifuku-ism." As a Group, Daifuku constantly considers how best to provide customers throughout the world with standardized quality and systems. For this reason, the previously established specialized training center was incorporated into a subsidiary that carries out R&D into basic and elemental technology. Here, efforts are made to train and develop the personnel, techniques and technologies for *monozukuri* by providing stimulating training that transcends geographical borders. Aware that R&D constitutes the lifeblood of a manufacturing company, Daifuku is continuing to invest heavily in R&D for individual products.

Establishment of Internal Control System

The establishment of an internal control system based on the Financial Products Exchange Law was strongly urged in the Corporation Law enacted in Japan in 2006 and will be obligatory from April 2008. In April 2007, Daifuku newly established the Internal Control Operations function. The aim of this initiative is four-fold, namely, to entrench comprehensive internal control awareness campaigns; create control environments; recognize and assess internal risks; and appropriately respond to, or, alternatively, put in place or manage a response to, the need for internal control in every company in the Daifuku Group worldwide. The Business Continuity Plan (BCP) Promotion Division comes under the purview of this function, which gathers information on the risks that corporations are facing and formulates plans to ensure business continuity with no unforeseen circumstances. In addition, the Internal Control Promotion Office, which comes under the Administrative Operations umbrella, will endeavor to maintain trust as well as the soundness and accuracy of Daifuku's financial reporting.

Expanding Worldwide Production Bases

With the completion of two new buildings in October 2006, the Shiga Works (Hino, Shiga Prefecture) commenced full-scale operations. The Shiga Works, which boasts a total of 11 factories on its premises, is now one of the world's largest material handling system and equipment production bases.

Outside Japan, Daifuku undertook expansion at its plants in Taiwan, China, Thailand and South Korea, where demand is brisk. Taiwan Daifuku Co., Ltd., which manufactures systems for semiconductor and flat-panel display (FPD) production lines and has been fully on stream since March 2006, carried out plant expansion and switched to local production. Jiangsu Daifuku Rixin Automation Co., Ltd. in China, which manufactures conveyor systems for automobile production lines, Daifuku (Thailand) Ltd. and ATS Co., Ltd. in South Korea all carried out plant expansions and completed facility refurbishments to increase productivity. In addition, a branch office was set up in St. Petersburg, Russia, one of the BRIC economies.

Corporate Activities Emphasizing Social Contributions and the Environment

Material handling systems and equipment form part of the essential social infrastructure supporting industry, logistics and trade. Daifuku adheres to a prioritized management philosophy of "contributing to the development of industry by supplying optimal material handling systems and electronic devices to a global market." The Company has been honing the technologies needed to respond to customer needs and developing its business since its founding in 1937. Maintaining a focus on the automobile, electronics and distribution industries, Daifuku has gained the trust of customers throughout the world. By providing solutions and services in response to trends in the rapidly changing world of industry, Daifuku endeavors to contribute to the develop-

ment of society.

A variety of initiatives are being undertaken on environmental issues around the world. Daifuku is not alone in being required to consider the environment as an important factor in the Company's management and to address environmental issues around production sites and the environmental impact of its products. Daifuku implemented its "S. Q. C. D. (Safety, Quality, Cost, and Delivery)" slogan to improve customer satisfaction. In addition to this measure and to ensure a sincere response to safety and environment in all corporate activities, the Company has added "E. (Ecology)" to the slogan and placed a greater emphasis on environmental issues in its corporate activities.

Comments from Social & Environmental Activity Representatives



Making Significant Contributions to Society through Business

Masayoshi Inoue
Managing Director and CFO
COO of Global Management

Daifuku delivers products to various kinds of factories and distribution centers all over the world. Aware that these products form part of the essential social infrastructure that supports industry, logistics and trade, Daifuku supplies optimal systems and makes all-out efforts in its service activities.

In recent years, customers have become more aware of the need for disaster and risk prevention measures. Daifuku therefore offers products and services that take into account wide-ranging stability and safety aspects so that delivered systems can guarantee a stable operation on a daily basis.

To mark its 70 years in business and publicize its concepts of (and commitment to) giving to the community, Daifuku donated care vehicles equipped with Daifuku-manufactured wheelchair lifts to care facilities. There are plans to continue this activity in the years to come. In China, where we are actively pursuing business development, there are also plans to donate half the construction costs of a school, provisionally named the Daifuku Hope Elementary School, through the Company's local subsidiary. Aside from the usual elements as set out in the commemorative booklet that make up our 70-year company history, a look at our industrywide behind-the-scenes efforts and well-known reputation for pushing technological boundaries shows that several more pages could be devoted to the social contributions that have been made by each Daifuku business.



Aiming to Become the Undisputed World Leader in Material Handling

Hifumi Katsuragi
Managing Director
COO of Production Control

In line with its commitment to fulfilling its corporate social responsibility (CSR), including abiding by the law and addressing environmental issues around production sites and the environmental impact of its products, Daifuku considers the environment to be an important factor in the Company's management and undertakes the full gamut of environmental conservation activities in every facet of its business.

The Komaki and Shiga Works both acquired ISO 14001 certification in 1999, and Daifuku has since obtained certification at four other sites (Tokyo, Osaka, Tokai and Kyushu). The Company is gradually acquiring ISO 9001/14001 certification at its production bases outside Japan and, as a top-flight material handling company, is making concerted efforts to improve customer satisfaction levels.

With the aim of improving S. Q. C. D. E. at sites in Japan, Daifuku has standardized the organization that is awarding the ISO 9001/14001 certifications to make the system more efficient. By carrying out simultaneous internal and external audits, streamlining the implementation system to include documentation and addressing the global environment, the Company is working to fulfill its corporate responsibility.

The Daifuku Group has established a unified structure for addressing environmental measures.

Six business bases, namely Shiga and Komaki Works, Osaka Headquarters, Tokyo Head Office, Chubu Tokai Area (Tokai Branch Office) and Kyushu Daifuku, have acquired ISO 14001 certification. With these bases as leaders, Daifuku is promoting environmental protection activities. In addition, its subsidiary Contec Co., Ltd. (Contec) has acquired ISO 14001 certification.



Osaka Headquarters
 Location: 3-2-11 Mitejima Nishiyodogawa-ku, Osaka 555-0012 Japan
 Lot area: 14,514 sq.m
 Floor area: 19,236 sq.m
 Business: Provides sales, engineering, and design of logistics systems and material handling equipment, and corporate affairs



Tokyo Head Office
 Location: 2-14-5 Shiba, Minato-ku Tokyo 105-0014 Japan
 Lot area: 783 sq.m
 Floor area: 3,572 sq.m (Ground to 8th floor)
 Business: Provides sales, engineering, design, installation and services of transport, storage, and logistics systems, and corporate affairs



Shiga Works
 Location: 1225 Nakazajji, Hino-cho, Gamo-gun Shiga 529-1692 Japan
 Lot area: 1,160,000 sq.m
 Floor area: 221,400 sq.m
 Business: Provides engineering, design, installation, and services of logistics systems and material handling equipment, corporate affairs, and warehouses
 Production: Approx. 100 billion yen



Komaki Works
 Location: 1500 Komakihara-shinden Komaki-shi, Aichi 485-8653 Japan
 Lot area: 56,000 sq.m
 Floor area: 9,300 sq.m
 Business: Provides sales, engineering, installation, and services of logistics systems and material handling equipment, and corporate affairs
 Production: Approx. 24 billion yen

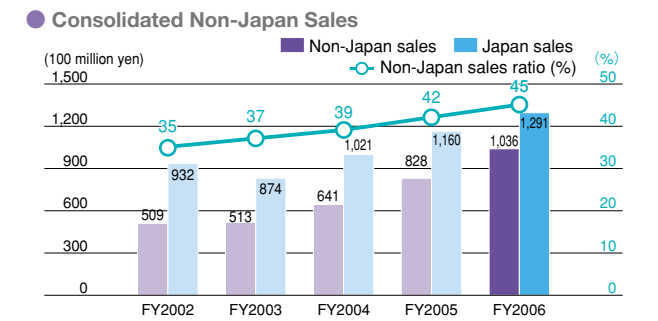
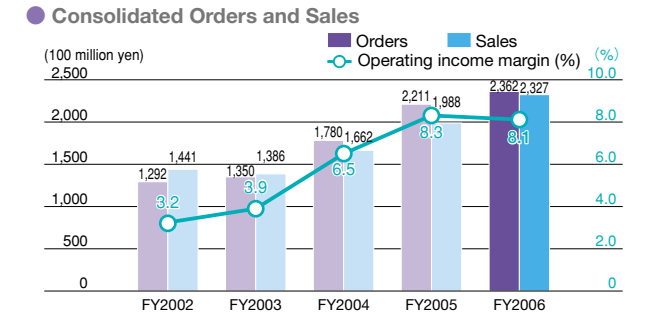
Chubu Tokai Area (Tokai Branch Office)
 Location: 2-48 Fukada-cho, Toyota City, Aichi 471-0841 Japan
 Lot area: 2,784 sq.m
 Floor area: 2,982 sq.m
 Business: Provides sales of conveyor systems and other equipment

Contec Co., Ltd.
 Location: 3-9-31 Himezato, Nishiyodogawa-ku, Osaka City Osaka 555-0025 Japan
 Lot area: 4,443 sq.m
 Floor area: 7,339 sq.m
 Business: Develops, manufactures, and sells PCs for FA use, interface boards, LAN-related equipment, and remote monitoring/control systems

Kyushu Daifuku Corporation
 Location: 2134-1 Yobaru Bunkyo, Kanda-machi, Miyako-gun, Fukuoka 800-0323 Japan
 Lot area: 25,000 sq.m
 Floor area: 6,800 sq.m
 Business: Provides engineering, installation, and services of logistics systems and material handling equipment, corporate affairs, and warehouses

Daifuku Group's Business Operations	Products
AFA (Automotive Factory Automation) Development, manufacture, and sales of conveyor systems for automobile industry	Storage ● Unit load AS/RS ● Mini load AS/RS ● Mobile Rack, aisle opening pallet rack for heavy items ● Vertical Carousel, vertical rotary storage rack ● New-Goodrack, pallet rack for heavy items ● Clean Stocker, automated warehouse for cleanrooms
FA&DA (Factory Automation & Distribution Automation) Development, manufacture, and sales of logistics systems for factories and distribution operators	Conveying/Transport ● Flexible Drive System, chainless conveyor system for automobile production ● RAMRUN, electrified monorail system ● FAV, multidirectional automatic guided vehicle ● Space Carrier, overhead monorail system ● Cleanway, overhead transport system for cleanroom ● Clean AGV, cleanroom automatic guided vehicle
DTS (Daifuku Technology Service) Installation and services of logistics systems for factories and distribution operators	Sorting & Picking ● Jet Surfing Sorter, high-speed sorter ● Pick & Stocker, ultrahigh-speed standalone mini load AS/RS ● Picking Cart System, cart-type picking system ● Digital Pick System, pick-to-light system ● Digital Assort System, put-to-light system
eFA (e-Factory Automation) Development, manufacture, and sales of logistics systems for IT and electronics industries	Material Handling Equipment ● Roll box pallet ● Palletainer, mesh box pallet ● Magic Container, collapsible container ● Level Cart worktable
Car-Washing Machines Development and manufacture of car-washing machines (Sales: Daifuku Unix Corporation)	Information Systems ● eWareNavi, warehouse management system
Electronics Development, manufacture, and sales of electronic devices, including PCs for FA use, interface boards, LAN-related equipment, and remote monitoring/control systems, sharing field with Group company Contec	Other ● Bowling alley equipment ● Car-washing machine ● Bicycle parking system ● Wheelchair lift for care vehicle ● Underfloor storage unit
Specialized Equipment Development, manufacture, and sales of caretaking and ecologically-focused products	

Company Name: Daifuku Co., Ltd.
Locations: Osaka Headquarters: 3-2-11 Mitejima, Nishiyodogawa-ku Osaka 555-0012 Japan
 Tokyo Head Office: 2-14-5 Shiba, Mitato-ku Tokyo 105-0014 Japan
Established: May 20, 1937
Paid-in capital: 8,024 million yen (As of April 2007)
Representative: Katsumi Takeuchi, President and CEO
Number of employees: Approx. 4,700 (Total of Daifuku Group, as of March 2007)
Net sales: 232,730 million yen (Consolidated, Fiscal 2006)
Business: Consulting, engineering, design, manufacture, installation, and after-sales services for logistics systems and material handling equipment
Products: Conveying/Transport systems, storage systems, sorting and picking systems, control and information systems, material handling equipment, and others (car-washing machines, machines for bowling alleys, and specialized equipment)



Daifuku Group

- Contec Co., Ltd.
 - Contec EMS Co., Ltd.
 - Kyushu Daifuku Corporation
 - Daifuku Unix Corporation
 - Daifuku QubicaAMF Co., Ltd.
 - Daifuku Bowl-Mor Ltd.
 - Daifuku Logistic Technology Co., Ltd.
 - Hiniratakan Corporation
 - Daifuku Design and Engineering Co., Ltd.
 - Daifuku Institute of Technology and Training Co., Ltd.
 - Daifuku Business Service Corporation
 - Daifuku Software Development Co., Ltd.
 - Daifuku Business Create Co., Ltd.
 - Daifuku Manufacturing Expert Co., Ltd.
 - Daifuku Field Engineer Co., Ltd.
 - Renace Laboratory, Inc.
 - Affiliate company with production facilities in Japan
- Overseas offices
 (Mexico, Czech Republic, St. Petersburg, Philippines, Tianjin, Shanghai)
 - Daifuku America Corporation (U.S.)
 - American Conveyor and Equipment, Inc. (U.S.)
 - Daifuku Canada Inc. (Canada)
 - Daifuku Europe Limited (U.K.)
 - Daifuku India Private Limited (India)
 - Daifuku (Thailand) Ltd. (Thailand)
 - Daifuku Mechatronics (Singapore) Pte. Ltd. (Singapore)
 - Daifuku (Malaysia) Sdn. Bhd. (Malaysia)
 - P.T. Daifuku Indonesia (Indonesia)
 - Daifuku (Shanghai) Ltd. (China)
 - Daifuku Automation (Tianjin) Co., Ltd. (China)
 - Daifuku Automation (Guangzhou) Co., Ltd. (China)
- Jiangsu Daifuku Rixin Automation Co., Ltd. (China)
 - Daifuku Pioneer Co., Ltd. (Taiwan)
 - Taiwan Daifuku Co., Ltd. (Taiwan)
 - Clean Factomation, Inc. (South Korea)
 - ATS Co., Ltd. (South Korea)
 - MIMATS Co., Ltd. (South Korea)
 - Daifuku Carwash-Machine (Shanghai) Ltd. (China)
 - Daifuku Carwash-Machine Korea Inc. (South Korea)
 - Contec Microelectronics U.S.A. Inc. (U.S.)
 - Beijing Contec Microelectronics Corporation (China)
 - Shanghai Contec Microelectronics Corporation (China)
 - Taiwan Contec Co., Ltd. (Taiwan)
 - Overseas affiliate company
 - Overseas affiliate company with production facilities



Highlights

This is where we report on major developments within the Daifuku Group. Daifuku aims to constantly improve its productivity and technologies in the course of its corporate activities, while keeping in mind that contributing to society forms the basis of these activities.

70th Anniversary Events Focus on Public Donation Ideas Devised In-House

Daifuku celebrated the 70th anniversary of its establishment on May 20, 2007. To mark the occasion, the following projects were planned and carried out.

Wheelchair lift-equipped vehicles donated to care facilities

The Shiga Works, Daifuku's largest facility, donated a care vehicle equipped with a Daifuku wheelchair lift to each of three care facilities in Hino Town. Our policy is to put our capabilities to good use in line with in-house concepts of giving to the community, and we plan to continue to make such donations to various recipients in the years to come.

In China, which represents Daifuku's development area, Daifuku will be lending its name to a school, provisionally named the Daifuku Hope Elementary School, and donating half the construction costs, equivalent to approximately 3.8 million yen. As it is planned to hold an event to mark subsidiary Daifuku (Shanghai) Ltd.'s fifth anniversary at the same time, more details will be supplied at a later date.



Hino Town Mayor Fujisawa tests the wheelchair lift-equipped care vehicle at the donation ceremony.

New corporate slogan

Daifuku has revised its corporate slogan for the first time in 20 years to "Material Handling and Beyond." Looking back over 70 years of history, Daifuku has made "material handling" its core business and the foundation of its unshakable corporate stance, a foundation from which it will be expanding into a variety of business domains. The word "beyond" in particular carries the notion of increasing our capabilities far into the future by providing the means to move things and, thereby, being a company that provides people with excitement and satisfaction.

Material Handling and Beyond

Commemorative booklet published

Apart from the usual elements that make up a company's history, we have revealed a cross section of some of the behind-the-scenes aspects of the CSR activities that Daifuku carries out through its business operations. Despite material handling being part of the essential social infrastructure that supports industry,



The 162-page bilingual Japanese-English commemorative booklet

logistics and trade, general public awareness of the industry and recognition of the Daifuku name can by no means be termed adequate. For this reason, several pages of the booklet have been devoted to highlighting previously unrecognized efforts, not only on the part of Daifuku but the entire material handling industry, as well as Daifuku's well-known reputation for pushing technological boundaries and the social contributions made through each Daifuku Group business.

A trilingual Japanese-English-Chinese dictionary of essential specialist vocabulary related to material handling, design and construction has also been published.

One of World's Largest Logistics Production Bases Becomes Fully Operational

With the completion and commencement of full-scale operations at two new buildings (Buildings K and L) in October 2006, the 11-factory Shiga Works became the world's largest logistics production base and Daifuku's long-held dream of establishing an industrial park finally came true.

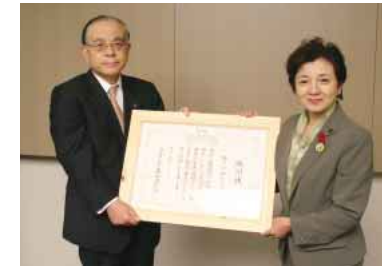
Building K, which is 195 meters high and 80 meters wide, will produce around 50 kilometers of AS/RS conveyors per year. Development and testing of all types of stacker cranes takes place in the adjoining 45-meter-high R&D tower. Building L (180 meters high, 100 meters wide) houses assembly and machining factories, which are capable of producing 1,000 stacker crane units per year. Fully utilizing the latest large-scale machine tools has improved productivity.



Interior view of R&D tower, Shiga Works

Shiga Works Receives Superior Tax Award

The Shiga Works was selected as an outstanding Shiga Prefecture taxpayer in November 2006. The award, which is given to several companies each year, is aimed at enterprises that pay high amounts of corporate tax. As Daifuku is contributing to the prefecture's dynamic development, Governor Yukiko Kada paid a visit to the Shiga Works to deliver a certificate of appreciation. As well as visiting the comprehensive logistics showroom, *Hini Arata Kan*, Governor Kada toured around the Shiga Works by bus and inspected the environmental measures that Daifuku has adopted and that extend across the Company's broad product range.



Governor of Shiga Prefecture Yukiko Kada presents Daifuku President and CEO Katsumi Takeuchi with a certificate in recognition of Daifuku's tax contributions.

5,000th Consecutive Accident-Free Day Achieved

Daifuku's Automotive Factory Automation (AFA) business, which manufactures and sells conveyor systems for automobile production lines, achieved its 5,000th consecutive accident-free day at its customers' production sites on August 12, 2006. In the 14 years that have elapsed since December 1992, each and every worker has endeavored to reduce potential dangers. Directly linked to the achievement of this milestone are the measures implemented to breed a keen awareness of matters concerning safety. With the know-how of the AFA business assisting in the development of other businesses, the ongoing aim is for the entire Daifuku Group to maintain a zero accident rate.

New Environment-Friendly Roll Box Pallet

In redesigning the roll box pallet, the use of hexavalent chrome was discontinued in the manufacture of the 21 plated fabricated components, being replaced with trivalent chrome. Furthermore, the manufacturing method used for the unit's plastic base was changed. As separating the plastic, which is inserted into the back of the steel frame, is a simple matter, ease of recycling has been improved.



Prize for Creativity Received from MEXT

The four employees who made up the two groups that received prizes at Daifuku's small group initiative presentation received the fiscal 2006 Prize for Creativity from the Minister of Education, Culture, Sports, Science and Technology (MEXT).

One group's initiative, "Improved Production Efficiency for Conveyor Rails of Automobile Component Transport Line Systems," increased production efficiency 20% and reduced the occurrence of defects 90%. The other group's initiative, "Improved Yield Rate in the Rack Production Process," yielded a 20% improvement in the yield rate and a cost reduction of 5.6 million yen.

The award is granted to "employees who have made a contribution to improvements or devised scientific techniques that have produced innovative, superior devices," "improved production efficiency" or "reduced costs." This meant that the Daifuku Group has won the award on three successive occasions over the last three years.

World Skills Competition Held

Daifuku previously held skills competitions in three areas—welding, assembly and measurement—to encourage the improvement of front-line manufacturing techniques, including those at cooperating companies. The seventh annual competition, which was held in 2006, featured its first global event where 24 contestants from the United States, South Korea, China and Thailand participated. These competitions will be continued as a way of ensuring that Daifuku can offer the same uniformly high global standards of quality and service from manufacture to delivery.



Demonstrating practical assembly skills, a contestant from a South Korean subsidiary takes part in the World Skills Competition.

Ultraquiet Car-Washing Machine Developed

Daifuku developed the Crystal Dry ultraquiet drying system to substantially reduce the noise of the blowers used in car-washing machine dryers, commencing sales of the new system in February 2007. By using proprietary silencers and altering the airflow to reduce noise from the loudest source, the car-washing machine's blowers, the ambient noise level has been reduced approximately 12% (compared with other Daifuku machines), from around 70dB to around the low 60s. The new car-washing machine achieves the lowest noise level in the industry while maintaining the same powerful drying effect as before.



The WAXMOR EXPARGE gate-type car-washing machine equipped with the Crystal Dry ultraquiet drying system

Corporate Governance

Corporate governance involves establishing management policies and monitoring and assessing management's execution of duties with the aim of maximizing corporate value. Daifuku is taking steps to construct a robust corporate structure in order to become a more vibrant company.

The first pillar of Daifuku's management philosophy is to "contribute to the development of industry by supplying optimal material handling systems to a global market." The second pillar encourages "healthy, growth-driven management which values profitability" to earn the trust of shareholders, business partners and employees. Our aim is a strong corporate structure that successfully guides that company in a competitive global market.

Daifuku also emphasizes compliance in a rapidly changing corporate environment. Ethics, fairness and transparency the hallmarks of our management approach. Board members are encouraged to state opinions freely to enable efficient decision-making.

The Compliance Committee chaired by our President and CEO also ensures that fairness and ethics guide our corporate activities. In one initiative, the Committee enacted a corporate standard to guide executives and employees in fulfilling their corporate and public roles as members of a leading company.

New Initiatives for Internal Control

In developing our corporate governance system, Daifuku established the Internal Control Operations—Business Continuity Plan (BCP) Promotion Division in April 2007.

The Executive Vice President is responsible for Internal Control as Chief Risk Management Officer (CRO) and manages risk for the company.

The BCP Promotion Division was established as part of Internal Control Operations to identify and evaluate risks and to manage countermeasures. The Division drafts plans to minimize damage to assets and enable core business operations to carry on or resume quickly in emergency situations, such as natural disasters, accidents or acts of terrorism.

The Chief Financial Officer (CFO) is in charge of the Internal Control Office, which was recently named the Internal Control Promotion Office and is responsible for developing internal control systems and ensuring the reliability of financial statements. The Disclosure Committee, Information Security Committee, and Mental Health Promotion Committee report to the CFO.

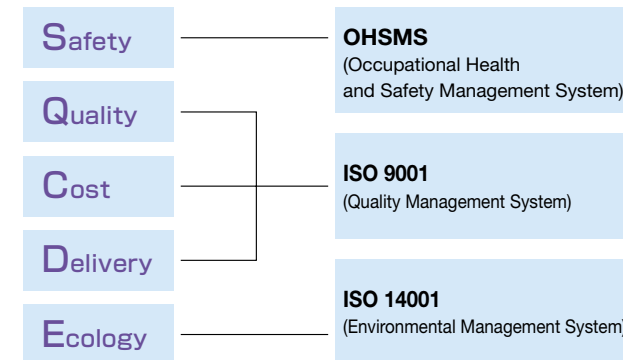
Daifuku's Internal Report System relies on the expertise of a lawyer.

Integrated Corporate Management System

Daifuku's mission is to provide customers with products of outstanding quality. To achieve this, the Company has in place management systems covering occupational health and safety, quality and environmental aspects of its operations.

Successful manufacturers value quality, fair cost and on-time delivery. In the course of Daifuku's efforts to integrate environmental responsibility and safety into the production of products and systems worldwide, the Company has expanded upon the standard values set out in its Basic Management Policy.

Having improved quality and environmental measures using the ISO management system, Daifuku implemented an occupational health and safety management system (OHSMS) at the Shiga Works. Daifuku ensures safety and sanitation in Shiga as well as at factories worldwide, installed sites and after-sales service facilities.



Quality Management System

The cornerstone of business lies in the trust between customer and supplier, a relationship established through the reputation and proven performance of the supplier's products. Daifuku has established a trusted brand by offering high-quality products at fair prices and providing reliable after market support. Our basic policy regarding quality, cost and delivery is to create the best quality products, deliver them on time at costs appropriate to the technology involved, guaranteeing outstanding safety and incorporating the latest technology in order to provide our customers with 100% satisfaction. Using a quality management system based on ISO 9001, as stipulated by the International Organization for Standardization, Daifuku guarantees quality at every stage of planning, sales, design, manufacturing, installation and after-sales service.

Environmental Management System

Daifuku engages in a wide range of business operations at home and abroad, as a manufacturer of a comprehensive range of logistics systems and material handling equipment. Our Environmental Management System enables us to acknowledge and evaluate the environmental impact of our operations and the positive results of our countermeasures. We use objective numerical measures to monitor and analyze current conditions and thereby identify various types of environmental impact generated by business activities and manufacturing works at all life-cycle stages with the aim of minimizing such impact.

Occupational Health and Safety Management System

As a manufacturer, we understand that safety must always come first in our production operations. Daifuku conducts health and safety activities suited to conditions on the workplace frontlines with the aim of eliminating work-related accidents.

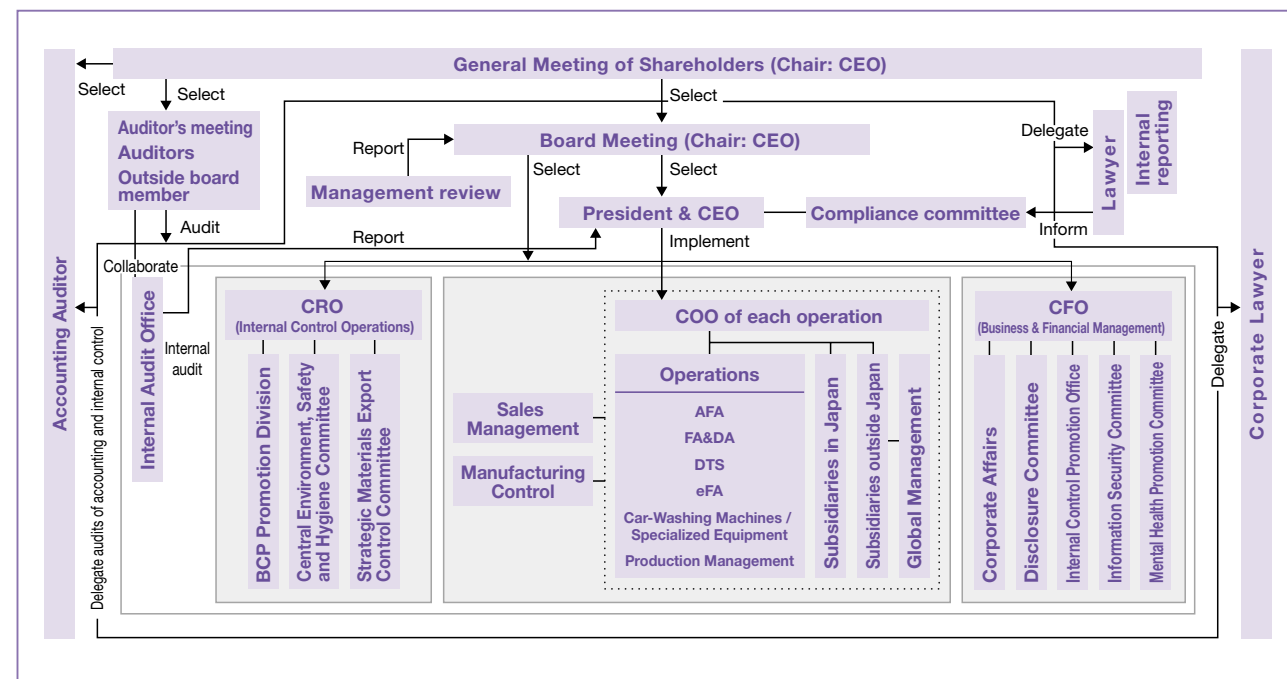
Throughout the Company, Daifuku has constructed an occupational health and safety management system that incorporates a keen awareness of environmental, quality and safety issues.

Priority Actions

1. Manufacture safe, environment-friendly products
2. Promote mental and physical health
3. Implement the 5Ss, the five key components of a healthy work environment (Sort, Set in Order, Shine, Standardize and Sustain)

Having constructed Companywide systems for health, safety and environmental management, Daifuku is working to form efficient information routes for rapid response when unforeseen events arise and to strengthen safety management systems in operations in Japan and overseas.

Corporate Governance Structure



Column Health, Safety and Environmental Message

Once every month, the Chief Risk Management Officer (CRO) delivers a video message pertaining to environmental protection and safety to all of Daifuku staff across the globe via the Company's Intranet. Daifuku started to deliver such messages in July 2004. We will continue this effort to increase health, safety and environmental awareness.



CRO's safety message (in-house Intranet)

Environmental Regulation Observance

Observance of Regulations

Daifuku will continue to observe not only environmental laws and regulations but also general codes, including laws, internal regulations, and socially accepted thinking.

Vision / Mission

Our Management Policy ensures employee awareness of social responsibilities by requiring maintenance of an ethical, fair and transparent approach to management; compliance with the laws and social norms of each country; and the establishment of a production system to deliver environmentally sensitive and safe products and systems globally. We distribute booklets, which reiterate the Management Policy as well as the Corporate Code of Conduct, to our employees. This Corporate Code of Conduct contains the following:

■ Corporate Code of Conduct Basic Policy

Contributing to society through corporate activity

Daifuku focuses on environmental sensitivity and safety while developing and offering products and systems that contribute to the creation of a comfortable and affluent society.

As a global company, awareness of and compliance with rules and social principles

Daifuku carries out fair and transparent corporate activities in compliance with relevant rules and social principles, both foreign and domestic, while taking fully into consideration international standards and norms from a global perspective.

Retaining stakeholder confidence

Daifuku highly values its stakeholders, including stockholders, customers, companies with which it has a cooperative relationship and its employees, and seeks to build a healthy and positive relationship with them.

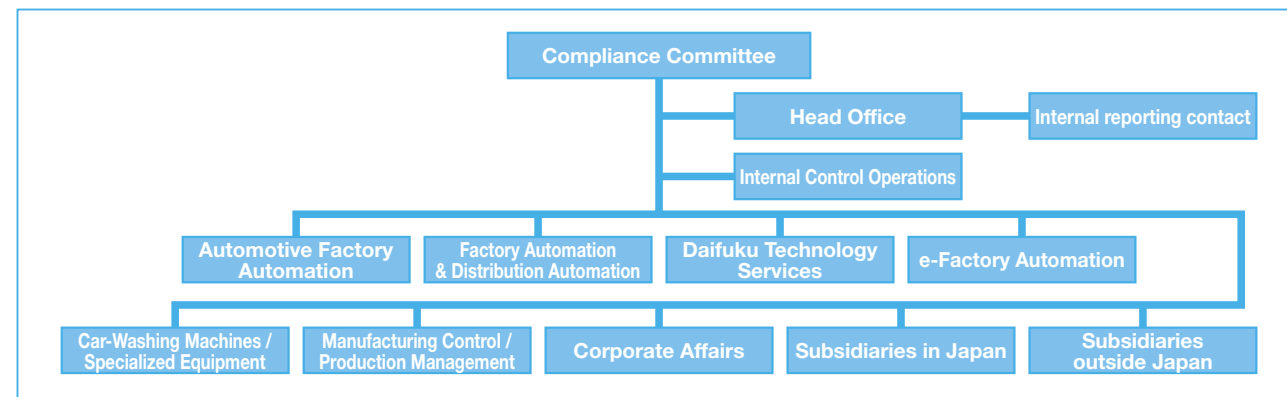
Contribution to communities

Daifuku, as a good corporate citizen, makes a positive contribution to local communities.

Respect for the personality and individuality of each employee

Daifuku fully respects each employee's personality and individuality as essential components of a dynamic corporate culture.

■ Compliance Committee System



Compliance Committee

Compliance (observance of laws), including not only the observance of laws and internal regulations but also of socially accepted thinking, common practice, and ethics, has become a major issue. The Company established a Compliance Committee in December 2003 to encourage all staff to obtain a deeper understanding of these issues.

In April 2007, Daifuku also established a hotline through which people may consult with or report to lawyers from outside of the Group regarding questions or concerns about compliance at the Daifuku Group.

Compliance with Environmental Laws and Regulations

【Observance status】

Fiscal 2006 saw no issues in respect of our conformity to relevant laws and regulations. We will continue to monitor the status of each of our units.

【Revision of laws and regulations, and others】

We monitor revisions to laws and other environmental information, and communicate these to other units every September. Laws and regulations are responded to on a Companywide basis.

Protecting Personal Information

Information Security System

Daifuku takes meticulous care in handling any information that we might obtain about individuals and corporate customers.

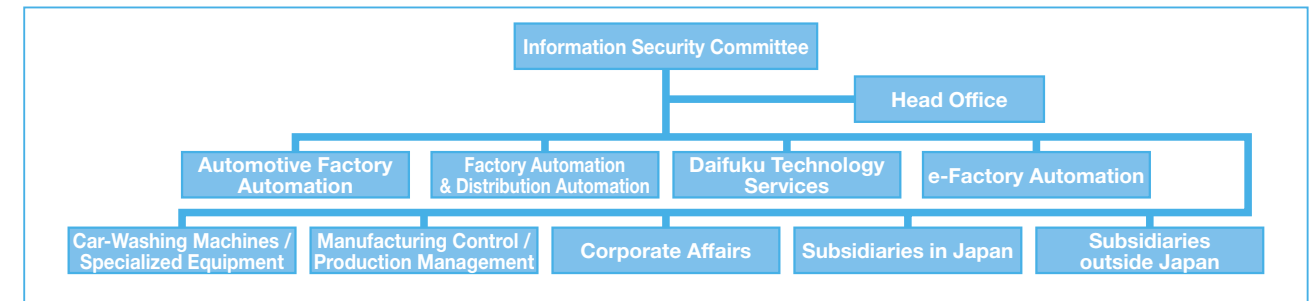
Information Security Committee

In August 2004, Daifuku established the Information Security Committee in order to standardize company wide rules and enhance awareness of the management of Company information, such as employee, client, technological, and financial information. In March 2005, Daifuku instituted an information security policy with the aim of creating the most secure management system possible for our information resources (information security). Daifuku formulated the relevant regulations based on this basic policy, implementing internal audits by the Committee while enlightening employees through in-house newsletters and Intranet to thoroughly comply with these regulations.

Code Concerning Personal Information

- Daifuku will never abuse the confidential information it obtains in the ordinary course of business about employees, customers, cooperating companies, dealers, competitors, and other interested parties.
- Daifuku will respect the right of every employee to privacy, pay careful attention to personal information and exercise prudence in the management and handling of such information.
- Daifuku employees will recognize the value of the Company's confidential information (such as technology and know-how), and strictly manage such information in order to protect from misuse and leakage.
- Daifuku employees will never abuse or reveal the Company's confidential information (such as technology and know-how) whether during active service or after retirement.
- Daifuku will never obtain any confidential information about employees, customers, cooperating companies, dealers, competitors, and other interested parties using illegal methods.

■ Information Security Committee System



Information about Human Rights and Employment

Human Rights and Employment

Part of Daifuku's management philosophy is to "create a lively corporate culture which respects the personality and individuality of each employee," and we regard this as an important management issue.

Opening a Personnel Counseling Office

Daifuku introduced a new human resources policy in fiscal 2003. As part of a company-revitalizing measure within that policy, we opened a "Personnel Counseling Office," which serves as an easily accessible contact point for employees who have queries or problems. The office receives inquiries about the new human resources policy, assessment and treatment issues, workplace environment, and health control, and can help employees resolve their problems.

The Company also accomplished the opening of communication channels with directors to enable bilateral feedback between management and the Company's employees.

Job Creation

The number of employees in the Daifuku Group, including employees in Japan and overseas, has risen 36% over the last three years to approximately 4,700. This is primarily attributable to the increase in Group companies, including overseas subsidiaries. In addition, Daifuku established three wholly owned subsidiaries in April 2005 for the rehiring of retired employees in an effort to leverage the know-how and expertise of experienced veteran staff.

Information about Industrial Safety and Hygiene

Industrial Safety and Hygiene

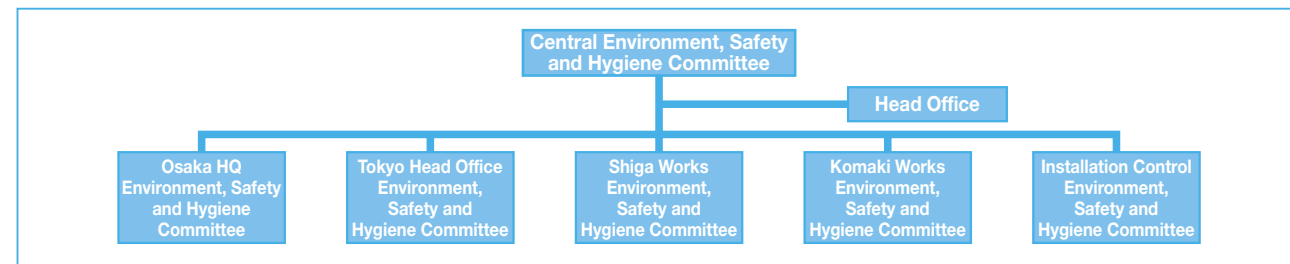
Daifuku implements a voluntary workplace improvement campaign, featuring important action statements—"promote the safety campaign," "eliminate risks of being caught up in a hazardous situation," "promote transport safety campaign," and "for a pleasant workplace environment"—in an attempt to "reduce accidents (resulting in time off from work) to zero for 365 consecutive days."

Companywide Environment, Safety and Hygiene Control System

Safety measures and safety control issues are given top priority at Daifuku. Since the Company was founded, "safety first, zero accidents" was implemented and Daifuku has pursued this principle with unwavering commitment. The two aims for the establishment of the Companywide Environment, Safety and Hygiene Control System were to clarify prompt information communication routes in the event of an accident and to strengthen our domestic and overseas safety and hygiene control systems. Members of the Environment, Safety and Hygiene Committee conduct 5S patrol

campaign activities every month at every factory location. We are establishing continuous self-improvement 5S campaign activities and are promoting productivity improvements, workplace invigoration, and the achievement of a "zero accident" workplace. Daifuku established the Installation Control Environment, Safety and Hygiene Committee for personnel working in its factories to establish and pass down a culture of safety across all operations in line with the "zero accidents" objective.

Companywide Environment, Safety and Hygiene Control System



On-Site Safety Patrol Campaigns

As part of the activities of the Installation Control Environment, Safety and Hygiene Committee, each of Daifuku's divisional general managers conducted a round of safety inspections referred to as the Safety Patrol Campaign. The Safety Patrol Campaign is a trial effort in safety control whereby general managers visit each factory location, participate in safety activities there, and learn from the each factory's strong points. In the future, we will conduct these activities as necessary on an ongoing basis.



Safety patrol campaign

Mental Health Promotion Committee

The Mental Health Promotion Committee contributes to the creation of comfortable working environments by promoting and reviewing care-related initiatives in four areas of mental health, specifically those taken by employees themselves, by managers and supervisors, by healthcare workers and by independent institutions and experts.

Daifuku has established health consultation offices at the Shiga Works and the Tokyo Head Office. The office at the Shiga Works is also responsible for the Komaki Works. Workplace physicians and nurses support employees in maintaining their health by providing healthcare guidance based upon results of physical checkups in addition to acting as counselors with whom employees can consult regarding mental and physical health.

Comment Comment from an Environment & Safety Activity Representative

5S Activities for the Creation of Comfortable and Safe Workplaces

We have been promoting 5S activities (see page 9) for the last three years through the Environment, Safety and Hygiene Committee. Having maintained an accident-free record during this period, we are gradually seeing results from these efforts through voluntary cleanup activities, innovations to work area layouts and other small changes.

Since undertaking 5S activities and adopting PDCA (Plan, Do, Check, Act) principles, we have steadily advanced these initiatives in a push to create more comfortable, safer work-

places. Safety and hygiene committees in various regions implement activities suited to their respective locations. To enhance awareness of the environment of workplaces as well as their safety and hygiene, Daifuku has added the word "environment" to the names of these committees, which are now moving forward with activities as Environment, Safety and Hygiene Committees.



Shizue Kataoka
Safety Promotion Group
Internal Control Operations
Shiga Works

Information about Extensive Consumer Protection and Product Safety

Quality Management System

Daifuku has put in place a quality management system in response to the trust placed in the Group by customers regarding the quality management and safety of products. Daifuku ensures that all employees receive training about and maintain awareness of the system.

Quality Control System

Since 2002, Daifuku has sponsored internal task forces to address quality matters as cross-departmental issues arise at the Komaki and Shiga Works.

Also, Daifuku holds periodic ISO steering committee meetings to ensure quality and report on activities. Twice-yearly management reviews evaluate the content of the operational plans for each department and Quality Task Force.

Quality Task Forces have been established in the areas of design, control, manufacturing, purchasing, product quality, installation services and marketing engineering. These task forces address quality issues and formulate countermeasures across departments.

Conducting Risk Assessment

To ensure product safety, Daifuku has established a unique set of regulations directed to the Design Task Force consisting of engineering, development, and design units. We also implemented the risk assessment of newly developing products and the existing products/models. Furthermore, Daifuku's production units engage in risk assessment of production facilities conducted by the Work's Environment, Safety and Hygiene Committee. The Company's construction and service units implement risk assessment of installation work sites through ISO Task Forces.

Environmental Education and Training

The Daifuku Manufacturing And Design System (D-MAND) is Daifuku's systemized method of manufacturing. Our worldwide staff attend seminars and hands-on training at the Shiga Works facility to gain experience with D-MAND.

We are committed to employee collaboration and encourage improvements in group skills. With regard to activities proposed by small groups, 2,506 proposals covering operational improvements, cost cutting, quality, safety, the environment and other matters have been submitted, approximately 1.2 times the target figure. This shows that active operations are under way. To develop skills, we host two group presentation contests each year. Daifuku management nominates the winning teams for the Prize for Creativity from the Minister of Education, Culture, Sports, Science and Technology to heighten employee motivation.



D-MAND training



Presentation of small group initiatives

Stable Product Operations

In earthquake-prone Japan, increasing attention is being paid to earthquake-response measures of automated warehouses. Daifuku is also focusing efforts on this area, in light of the loss of and damage to a vast number of stored items as a result of major temblors such as the Great Hanshin Earthquake of 1995. Awareness of disaster prevention and risk response has been on the rise in Japan, and Daifuku is conscious of its responsibility as Japan's top manufacturer of materials handling systems to contribute to customers' risk management measures. At the LOGIS-TECH 2006 trade show, Daifuku introduced a seismic-isolated rack structure that is now under development.

A greater number of companies now have logistics equipment operating round-the-clock as part of their production and distribution operations. Accordingly, it is more important than ever that the AS/RSs and sorting systems which carry out central functions run smoothly. The DAGUARD prediction and warning system developed through Daifuku's proprietary technology monitors the condition of operating equipment, enabling companies to forecast the remaining useful life of machinery and parts, as well as maintenance intervals.



Seismic isolated rack demonstration at an exhibit

Column ISO Certification at Global Locations

The Daifuku Group has been promoting the acquisition of ISO certification at global factories since 2006. ISO 9001 certification has already been obtained by Daifuku America Corporation in North America, Clean Factomation, Inc. and MIMATS Co., Ltd. in South Korea, Jiangsu Daifuku Rixin Automation Co., Ltd. and Shanghai Contec Microelectronics Corp. in China, and at Daifuku (Thailand) Ltd. MIMATS Co., Ltd. has also obtained ISO14001 certification.

Auditing at Daifuku America Corporation



Communication Activities

Daifuku participates in various events and discloses information through various media in order to ensure that our environmental efforts are widely known and appreciated. We will continue to effectively communicate with society, as befits a good corporate citizen.

Environmental Seminars at Shiga Works

As part of its efforts to maintain dialogues with local communities, in May 2006 Daifuku used its *Hini Arata Kan* building to host the Hino Town Corporate Council, comprising 50 major corporations in the Hino area near the Group's Shiga Works. In this forum, Daifuku was able to present an explanation of its corporate activities to local company representatives. In October 2006, the Group also invited representatives from throughout Shiga Prefecture as well as the local area to a ceremony marking the completion of the K and L buildings of the Shiga Works. Those in attendance toured the *Hini Arata Kan* building, in addition to receiving a "site report" detailing Daifuku's corporate and environmental activities.



Hino Town Corporate Council, Shiga Prefecture

Member Seminars by the Environmental Conservation Association of Shiga Prefecture

The Environmental Conservation Association of Shiga Prefecture, of which a Shiga Works employee is a director, offers member seminars to encourage learning about environmental conservation and to upgrade members' expertise. In November 2006, Daifuku held a seminar, meeting and factory tour at a member corporation, addressing environmental issues as a member of the local community network.



Member seminars by the Environmental Conservation Association of Shiga Prefecture

Introducing Environmental Activities at an Exhibition in Komaki, Aichi Prefecture

As a company with a presence in Komaki City, Aichi Prefecture, Daifuku participated in Komaki Industrial Festa in May 2006, which was held at Park Arena close to the Komaki Works. Together with a video and panel to introduce Daifuku, we displayed our environmental activities to local residents.



Komaki Industrial Festa 2006

Cooperation with Other Companies through Komaki City ISO Network

Located in northern Aichi Prefecture, Komaki City has a long history of grappling with environmental issues due to the numerous automobile factories and other manufacturing plants sited there.

Primarily through businesses in the city that have obtained ISO 14001 certification for environmental management systems, Komaki City's ISO Network engages in a variety of activities designed to improve environmental conditions, including educational and other activities related to water and air pollution as well as energy conservation. As a member of the network, Daifuku is taking active steps to improve the local environment.

Cooperation With Surveys

During fiscal 2006, Daifuku took part in a total of 25 surveys regarding the Company's environmental and quality assurance activities. The Company emphasizes responding to surveys as one form of communication regarding the environment, and is committed to responding sincerely, primarily through the ISO Promotion Group.

Breakdown of Fiscal 2005 Surveys

(April 1, 2006 - March 31, 2007)

Survey source	Environment related	(Chemical substances)	Quality, Other	Total
Newspaper/Magazine	1	(0)	1	2 items
Public offices/Associations	7	(3)	2	9 items
Corporations/Incorporated associations	9	(2)	5	14 items
Education related	0	(0)	0	0 items
NPO and others	0	(0)	0	0 items
Total	17	(5)	8	25 items

Communication with Employees

Daifuku regularly publishes the *ISO News* and *Eco News* in-house newsletters as part of its endeavors to communicate with employees regarding the Group's environmental activities. *ISO News* is designed to enhance understanding about the status of ISO activities, while the Waste Task Force creates *Eco News*. Both newsletters were published twice in fiscal 2006.



In fiscal 2006, both newsletters were published twice a year.

Contributing to the Community

To keep local environments clean and to express our gratitude to the citizens of our host communities, we encourage our staff to engage in beautification and cleanup activities as part of a diverse range of initiatives to contribute to society.

Participation in Local Beautification and Cleanup Activities

Since December 2001, personnel at the Shiga Works have held a post-lunchtime and after-work cleanup called "Ohmi Eco-Foster" once a month along National Route 307 and other areas surrounding the Works.

In addition, we participated in the Hino Town, Shiga Prefecture "Shakunage-kei (Rhododendron Gorge)" maintenance and cleanup activities. The rhododendrons there are called rhododendron hondoense, a rare variety designated as a natural treasure. The Company will continue to participate on an ongoing basis as part of our contribution to the local area.

In addition to cleanup initiatives in the areas surrounding the Komaki Works and dormitory, we participate in Mount Komaki beautification activities, making every effort to cooperate with community environmental campaigns.

Furthermore, we conduct cleanup activities in the areas around our Tokai Branch Office, while supporting traffic safety measures which include efforts to direct pedestrian traffic.



Ohmi Eco-Foster activities



Maintenance and cleanup at Shakunage-kei (Rhododendron Gorge)



Cleanup activities in the areas surrounding the Komaki Works



Initiatives by the Tokai Branch Office to promote pedestrian safety

Appreciation Plaque for Actively Participating in Blood Drive

Daifuku promotes blood donation among employees at its main worksites every year. The Japanese Red Cross Society presented the Osaka Headquarters, Group company Contec Co., Ltd. (in Osaka) and the Shiga Works with "gold medals of merit" and plaques commemorating their enthusiastic cooperation in the society's blood drives.

About 30 people from the Osaka Headquarters give blood every November, while about 100 people from the Shiga Works donate blood every May. These longstanding efforts stand out as examples to be followed.



Plaque of Appreciation

Interaction with Local Citizens

The Shiga Works hosts gateball* competitions twice per year, with approximately 200 players competing on 30 teams for the top prize. First held in 1992, the tournament has been an excellent way for Daifuku employees to mingle with local citizens and enjoy the outdoors together for the past 15 years straight.

*A game invented in Japan, similar to croquet



Opening ceremony at a gateball tournament

Column Cycle House 21 Automated Multilevel Bicycle Parking

Daifuku delivered a Cycle House 21 automated bicycle parking system with a capacity of 1,028 bicycles to the MARE multiplex building in front of Shin-Urayasu Station (Urayasu, Chiba Prefecture, a commuter town close to central Tokyo). The Cycle House 21 system with a capacity of 224 bicycles was also installed at Midland Square, a skyscraper in front of Nagoya Station.

In Japan, bicycles parked illegally outside of train stations are a major social nuisance. Not only do they obstruct traffic and detract from scenery, but local governments bear substantial costs for removing them. Many local governments are now requiring that bicycle parking facilities be included in redevelopment plans around stations, and there is increasing interest in automated multilevel bicycle parking systems that contribute to the efficient use of space.



The Cycle House 21 system in front of MARE was introduced on a TV program.

Environment Conscious Policy in Business Operations

Basic Environmental Policy

Daifuku strives to instill the environmental policy and make it widely known among all its employees. At the same time, we also inform other stakeholders by means such as posters at the entrances to all sites. Daifuku is working to gain broader social recognition for its activities.

Environmental Policy

Basic Principle

As Daifuku expands its business on a global scale, it recognizes environmental conservation as one of humankind's most important issues, underpinned by compliance with environmental laws. In every facet of its business activities including the development, manufacture, sale, installation, and after-sales service of material handling systems and equipment, Daifuku strives to conserve global resources and prevent worldwide environmental pollution.

Basic Policy

- (1) Daifuku will make further advances in ongoing environmental conservation activities by establishing an environmental management system and organization aiming at ensuring harmonious coexistence between people and the environment, and observing environment-related laws and treaties, with its own standards as a guide.
- (2) Daifuku will promote environmental pollution prevention measures and the continual improvement of its management systems and performance, based on environmental impact assessment and the formulation of environmental objectives and targets.
- (3) In every aspect of its business activities, from product development and planning through manufacture, usage, and disposal, Daifuku will deliver products that give due consideration to energy and resource conservation and the prevention of environmental pollution.
- (4) As a priority, Daifuku will procure and purchase materials, components, and products with the least environmental impact, and will provide guidance and support to suppliers, with the aim of establishing a cooperative supply chain.
- (5) As a member of society, Daifuku will contribute to creating healthy, safe, and comfortable communities, by fulfilling its corporate social responsibility and preventing environmental pollution.
- (6) Daifuku will implement environmental education and training programs that enhance employee awareness and promote individual responsibility.

Daifuku discloses this environmental management policy to all of its employees, temporary staff, and outside companies with which Daifuku conducts business, as well as to the general public.

Issued on January 7, 1999
Revised on August 1, 2005

Environmentally Conscious Efforts in Business Operations

Environmental Objectives, Targets and Achievements

The table below identifies the principal fiscal 2006 environmental themes implemented mainly by Daifuku's Shiga and Komaki Works, and a self-evaluation against fiscal 2007 targets. Daifuku's core operating network comprises the Shiga Works, Komaki Works, Osaka Headquarters, Tokyo Head Office, Tokai Branch Office, and Kyushu Daifuku. Of this network, the Shiga and Komaki Works are recognized as generating the most environmental impact.

Fiscal 2006 Environmental Objectives, Targets and Achievements

	Environmental Objectives (FY2004 - 2006)	FY2006 Environmental Targets	Result in FY2005	Details
Environmental conservation	- Emphasize emissions control	- Prevent water contamination - Prevent air pollution - Prevent soil contamination - Observe the PRTR law	Achieved Achieved Achieved Achieved	➡P27 ➡P26 — ➡P26
	- Observe environmental laws and regulations	- Observe environmental laws and regulations	Achieved	➡P10
Energy consumption reduction	- Reduce energy unit requirements (Electricity and LPG) Reduce 10% from fiscal 2003 level by fiscal 2006	- Save electrical energy - Reduce the energy requirement for lighting Reduce 10% from fiscal 2003 level	Achieved	➡P23
		- Reduce LPG consumption Reduce 10% from fiscal 2003 level	Achieved	➡P23
Waste reduction	- Reduce unit wastes (General wastes and industrial wastes) Recycle 95% of total wastes by fiscal 2006 Reduce 20% of total wastes from 2003 level by fiscal 2006	- Reduce 20% of total wastes from fiscal 2003 level - Promote to recycle 95% - Reduce steel scrapping (at each production dept)	Achieved Achieved Not Achieved	➡P24 ➡P24 —
	- Reduce paper consumption Reduce 10% from fiscal 2003 level by fiscal 2006	- Reduce 10% of paper consumption from fiscal 2003 level	Almost achieved	➡P25
Indirect impacts	- Assist and guide green suppliers and cooperating companies	- Plan and implement assistance and guidance	Achieved	➡P28
	- Promote green procurement (Prohibit the use of hazardous substances)	- Promote according to green procurement guidelines - Promote the procurement of materials and parts which contain no hazardous substances	Almost achieved Almost achieved	➡P28 ➡P28
Providing environmentally conscious products	- Work on the 3Rs (Reduce, Re-use, Recycle) for products 3R (Reduce, Re-use, Recycle)	- Encourage 3Rs activities for products	Almost achieved	—
	- Reduce the electrical energy requirement of products	- Plan and implement LCA	Almost achieved	—
	- Efforts toward Life Cycle Assessment (LCA)	- Promote according to green procurement guidelines	Not Achieved	—
	- Promote green procurement (Prohibit the use of hazardous substances)	- Promote the procurement of materials and parts which contain no hazardous substances	Almost achieved	➡P28

Fiscal 2007 Environmental Objectives and Targets

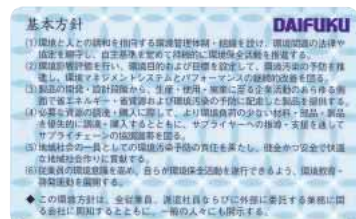
	Environmental Objectives (FY2007 - 2009)	FY2007 Environmental Objectives and Targets
Environmental conservation	- Emphasize emissions control	- Prevent water contamination - Prevent air pollution - Prevent soil contamination - Observe the PRTR law
	- Observe environmental laws and regulations	- Observe environmental laws and regulations
Prevention of global warming	Promote CO ₂ reduction activities	- Promote CO ₂ reduction activities (primarily energy)
	- Compared with fiscal 2006, reduce by 10% at the Shiga Works in terms of emissions per unit of production - At other sites and non-production bases in Japan, cut fiscal 2009 emissions by 6% compared to fiscal 2006	- Compared with fiscal 2006, reduce by 3% at the Shiga Works in terms of emissions per unit of production - At other sites and non-production bases in Japan, cut emissions by 2% compared to fiscal 2006
Waste reduction	Waste reduction	Waste reduction
	- Reduce 20% of total wastes from fiscal 2006 by fiscal 2009	- Reduce 7% of total wastes from fiscal 2006
	- Reduce paper consumption Cut usage by 10% compared to fiscal 2006 by fiscal 2009 (Measured in terms of usage per unit of production at Shiga Works only)	- Reduce paper consumption Cut usage by 3% compared to fiscal 2006 (Measured in terms of usage per unit of production at Shiga Works only)
	- Recycle 98% of total wastes by fiscal 2009	- Promote to recycle 96%
Indirect impacts	- Promote green procurement (Prohibit the use of hazardous substances)	- Promote the procurement of materials and parts which contain no hazardous substances (Begin process certification)
	- Assist and guide green suppliers and cooperating companies	- Promote according to green procurement guidelines - Continue support and guidance
Providing environmentally conscious products	- Conduct product assessment Expand number of products labeled as eco-products	- Plan from the product development stage Assess from the product development stage
	- Promote green procurement (Prohibit the use of hazardous substances)	- Promote the procurement of materials and parts which contain no hazardous substances (Begin process certification) - Promote according to green procurement guidelines

Column Raising Environmental Awareness

Distribution of Environmental Policy Card

To assist its CSR activities from the environmental point of view, Daifuku produced the "Environmental Policy Card" and distributes copies of it to all Group staff, publicizing the Company's ideas regarding environmental issues.

The cards are made from plant-derived biodegradable plastic.



Daifuku's Business Operations in Relation to Environmental Imperatives

Business Operation Material Balance

Daifuku engages in a wide range of business operations at home and abroad, as a manufacturer of a comprehensive range of logistics systems and material handling equipment. We use objective numerical measures to identify various types of environmental impact generated by such company activities and plants at all life-cycle levels, in order to minimize any impact through monitoring and analyzing current conditions.

INPUT



Electrical Power
37,579 MWh
→ P.23



Paper
157 t
→ P.25



LPG and City Gas
3,867 kℓ
→ P.23



Diesel Oil and Gasoline
284 kℓ
→ P.23



Chemical Substances
→ P.26



Water
301,278 cu.m
→ P.27

DAIFUKU

Production bases

Shiga Works
Komaki Works
Kyushu Daifuku Corporation
Contec Co., Ltd.

Non-production sites

Osaka Headquarters
Tokyo Head Office
Chubu Tokai Area
(Tokai Branch Office)

Customers

Order placement

Provide environment-friendly products

Automobile, manufacture, distribution, semiconductor, LCD, and other industries



OUTPUT



Waste
6,762 t
→ P.24



Drainage
301,278 cu.m
→ P.27



Recycled Material
6,446 t
→ P.24



Noise
→ P.27



Vibration
→ P.27



CO₂
27,275t-CO₂
→ P.22



NO_x
→ P.26



SO_x
→ P.26



COD/BOD
→ P.27

● CO₂ (Carbon Dioxide) ● NO_x (Nitrogen Oxide) ● SO_x (Sulfur Oxide)
● COD (Chemical Oxygen Demand) ● BOD (Biochemical Oxygen Demand)

Summary of Environmental Accounting

Environmental Accounting

Daifuku believes that it is important to monitor the Group's investments in and expenses for environmental conservation, and their returns, in order to be able to implement environmental solutions while ensuring ongoing corporate developments. To that end, Daifuku has been using environmental accounting as a guideline for corporate activities since fiscal 2001.

Concept of Environmental Accounting

Daifuku conducts accounting according to "Environmental Accounting Guidelines in the Machinery Industry," established by the Ministry of the Environment, in order to quantitatively monitor the cost and results of environmental conservation within overall corporate activities.

The total cost for environmental conservation activities amounted to approximately 579 million yen, as shown in the table below. Since fiscal 2004, environmental cost analysis also covers Kyushu Daifuku and Contec.

At the Osaka Headquarters, Tokyo Head Office, and Tokai Branch Office, which are non-production units, "environmental education for employees," "personnel expenses for managing

environmental activity structure," and related items account for most of the cost.

The cost of "virtual" economic effects amounted to approximately 239 million yen. Effects of product development are excluded from the reports and results because we currently have no clear-cut formula for the calculation.

Daifuku intends to use environmental accounting as a tool for "environmental management" by setting indices against which to assess performance, thereby promoting environmental accounting efficiency.

**Survey Report Concerning the Standardization of Environmental Accounting and Environmental Reports*
Published by The Japan Machinery Federation

Fiscal 2006 Environmental Accounting : Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Tokai Branch Office, Kyushu Daifuku, and Contec April 1, 2006 to March 31, 2007

Costs for Environmental Conservation Activities

Unit: 1,000 yen

Classification	Activities	Amount
Reduction of environmental impact in production activities	- Drainage contamination protection activities including drainage treatment facilities, renewal of painting facilities	128,129
Implement of industrial waste measures	- Waste treatment costs, recycling costs for wastes	83,574
Use of materials & equipment for environmental conservation	- Promotion of green procurement, fabrication and collection of transportation jigs	17,818
Development of products with less environmental impact	- Development costs for considering energy- and weight-saving and for reduction of parts quantity	203,984
Collection and reuse of proprietary products		70
Reduction of environmental impact from transportation	- Improvement of transportation efficiency by jigs	2,020
Emergency preparedness	- Training for emergency	570
Environmental conservation activities at management/administration offices	- Recycling non-industrial waste, renewal of lighting and air-conditioning	25,339
Environmental consideration for global operations	- Improvement of packaging methods for overseas shipping products	1,124
Implement of environmental management	- ISO promotion group operation costs, internal and external audits, environmental education	43,125
Collaboration with communities	- Participation in the Ohmi Eco-Foster activities and the regional environmental improvement projects	2,152
Total		507,905

Economic Effect

Unit: 1,000 yen

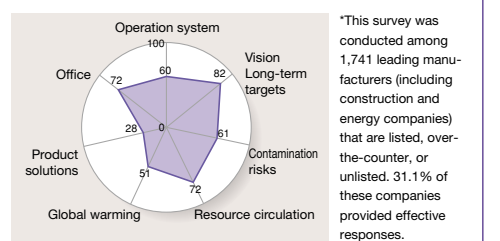
Effect from	Activities	Amount
Sale of valuable resources	- Gain on sale of ferrous and non-ferrous scrap materials, and high grade waste paper	109,005
Energy saving	- Effect of cogeneration system (CFA building air conditioning in terms of energy), and lighting	126,311
Reuse / Recycle / Resource conservation	- Reuse and recycle packaging materials	1,200
Returnable container	- Effective use of Palletainer mesh box pallet	2,500
Total		239,016

Column Environmental Management Level Survey

Ranked 281st out of 1,741 manufacturers

In December 2006, Nihon Keizai Shimbun, Inc. announced the results of its tenth "Corporate Environmental Management Level Survey." Daifuku was ranked the 281st out of 1,741 manufacturers, which was a ranking-up from the last year's 272nd place. In 2004, the item of "Office" was added for the assessment method, and we received that position based on a comprehensive review of the entire Daifuku Group's domestic companies, the environmentally conscious design, and the performance in terms of social responsibilities.

In addition, the Nikkei Excellent Company Ranking for fiscal 2006 was announced in March 2007. Using the Private Sector Multi Evaluation System (PRISM) jointly developed by Nihon Keizai Shimbun, Inc. and Nikkei Research Inc., Daifuku was ranked 177th out of 1,047 companies, up from 213rd in the previous fiscal year.



Monitoring and Assessment of Environmental Impact

Environmental Management System

The environmental management system is the basis for environmental conservation. Daifuku monitors and assesses environmental impacts and the results of solutions, thereby achieving efficiency. Being engaged in the businesses, Daifuku has developed an environmental management system that covers both production and non-production units.

ISO Certification Acquisition

In 1999, the Shiga and Komaki Works both acquired ISO 14001 certification, and in 2002, our subsidiary company Contec obtained certification. In 2004, four locations, namely, the Osaka Headquarters, Tokyo Head Office, Tokai Branch Office, and subsidiary company Kyushu Daifuku acquired certification. Through these achievements, Daifuku has established a companywide, ISO-based environmental conservation network.

■ Daifuku Co., Ltd. and Kyushu Daifuku Corporation

■ Contec Co., Ltd.



Environmental Management System

Daifuku has developed a companywide environmental management system with the president as the top-ranking representative.

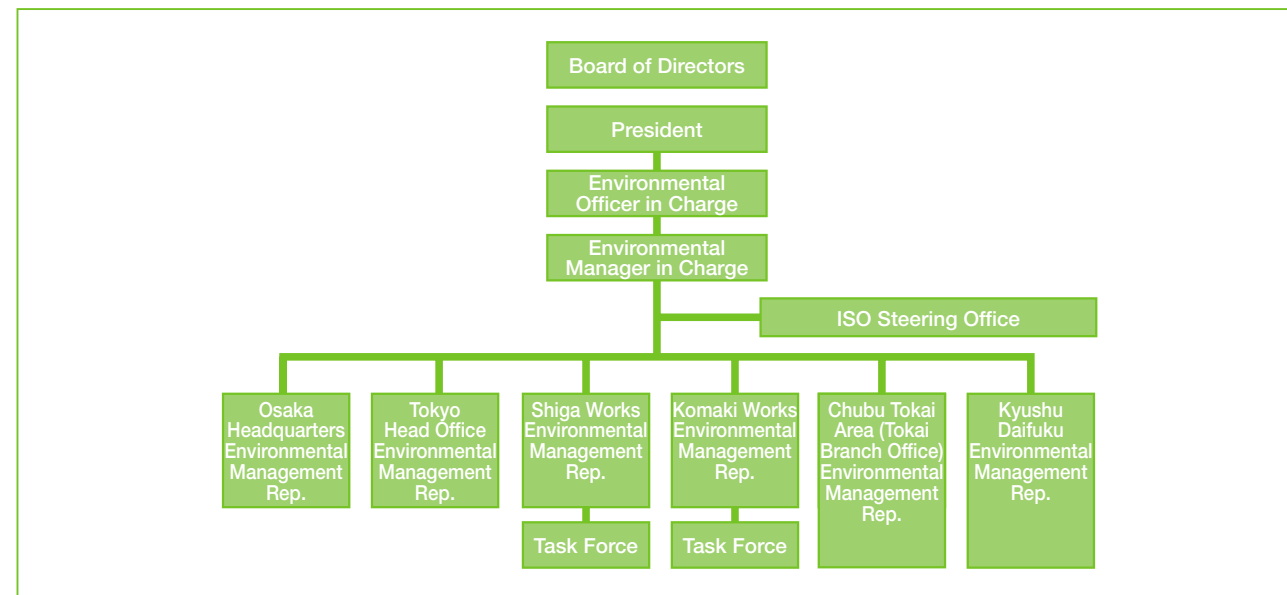
Since fiscal 2006, we have been holding regular meetings of an ISO Steering Committee, which consists of environmental management representatives from each base and environmental task force representatives. In addition, the management review by top management is held biannually (in May and October) to assess the implementation status of the action plans of each unit and task force.

The environmental task forces include Waste, Energy, Hazardous Substances Management, and Water Quality, thereby providing responses and solutions to various environmental challenges as cross-departmental issues for the divisions.



ISO Certification sign on display at the Shiga Works

Fiscal 2006 ISO & Environmental Management Organization



Environmental Auditing System

We periodically commission external audits, wherein a third party (certified agency) ensures that the environmental management system is appropriate, that laws and regulations are being observed, and that the system is functioning effectively.

And, we also conduct internal audits, with in-house monitors examining such factors as how the system is operated, how plans for committee objectives and targets are being implemented and progressed, and how well laws, regulations, and voluntary standards are being observed. Units found to be noncompliant must file correction plans and implement them. Audit results are reported in the management reviews where solutions are presented and follow-ups are conducted.

External Audit Results (Biannual)

Osaka Headquarters, Tokyo Head Office, Shiga Works, Komaki Works, Tokai Branch Office, and Kyushu Daifuku	
First half of FY2006	
Findings	1 item
Observations	5 items
Second half of FY2006	
Findings	0 items
Observations	4 items



Management review in progress



External audit

Environmental Education and Training

An intra-unit environmental activity plan is implemented as part of general education for all employees, cooperating companies, and other stakeholders, in order to establish environmental activities and encourage each and every member to participate in the program. In addition, environmental education and designated employee education, along with other programs, are conducted to cater for the technicalities of specific operations, in an effort to ensure observance of relevant laws and regulations.

In December 2004, ISO 14001: 2004, an improved version of environmental management system standard, was published. Accordingly, Daifuku acquired the certification for ISO 14001: 2004 in August 2005.

In the area of internal auditor education, using eLearning, we train each auditor for raising sound judgment ability and improving their skill levels.

Emergency Preparedness

A risk management system has been established across the Group, including the subsidiary Contec, in order to prevent emergencies and minimize the environmental impact if an emergency occurs. Each office provides education and simulation exercises on potential emergencies once a year.



Situational emergency training at the Shiga Works

Comment Comment from Environment & Safety Activity Representative

Providing Environment-Friendly Products to Customers

In addition to persistently promoting reduction of waste and conservation of paper and electricity at the Osaka Headquarters as of fiscal 2006, we are also working to provide environment-friendly products to customers according to the activity promotion plan relating to our business. Energy-saving proposals have led to a 20% increase from the previous year in the number of automated storage and movable rack systems ordered. Moreover, Daifuku is seeing steady results from its proposal-based marketing of chrome-

free pallet products. In addition, we are taking active steps to enhance communication with sales agents and branches and have held a total of 80 product-study sessions with environment-related themes that include how to draw customers and host exhibitions.

We will collaborate with production divisions so that we will be able to continually provide environment-friendly products to customers, sales agents and branches.



Kaoru Morimoto
General Manager of Osaka Branch Office
FA&DA Operations
Osaka Headquarters

Total Energy Costs and Their Reduction

Energy and Resource Conservation

Daifuku is taking steps to reduce consumption of power and fuel by focusing on energy efficient use on a company-wide basis, including non-production units. The Shiga Works is a Type 1 Designated (Electricity and Heat) Energy Management Factory. An appropriate control procedure is used for promoting the activities in accordance with the Law Concerning the Rational Use of Energy.

Carbon Dioxide (CO₂) Emissions and Reduction Measures

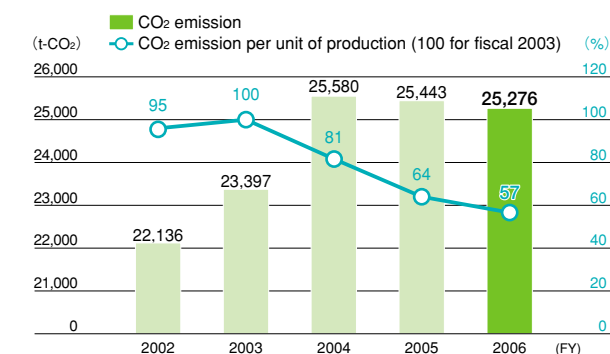
Daifuku works to reduce emissions of carbon dioxide and other greenhouse gases, which contribute to global warming.

In fiscal 2006, though CO₂ emissions at the Shiga and Komaki Works increased 8% compared with fiscal 2003, in terms of unit rate for production the Company was able to reduce emissions by 43% compared with fiscal 2003, due to increased production and energy-saving activities in each unit.

In fiscal 2006, Daifuku collected data on the volume of CO₂ emissions generated by the Company, which includes Kyushu Daifuku, Contec, and non-production bases. From this year forward, the Company will establish CO₂ reduction targets based on goals set in the Kyoto Protocol, which came into effect in February 2005.

CO₂ Emission

Shiga and Komaki Works Performance



	FY2005	FY2006
Companywide	27,783	27,275
Osaka Headquarters	867	682
Tokyo Head Office	259	230
Shiga Works	21,783	22,752
Komaki Works	3,660	2,523
Tokai Branch Office	284	257
Kyushu Daifuku	307	223
Contec	623	608

Environmental Impacts from Transportation

Since 2000, the Shiga and Komaki Works have been working to monitor the traffic in product-shipment trucks, while centrally controlling consignment information, improving methods of transportation, and restructuring products, thereby saving cargo space in the trucks, in an effort to improve transport efficiency and, in turn, to reduce CO₂ emissions.

However, CO₂ emissions from this source rose 30% compared with the figure in fiscal 2003, due to increased production in fiscal 2006. Moreover, mileage increased by 30% too.

Truck Numbers, Mileage, and CO₂ Emissions

	2002	2003	2004	2005	2006
CO ₂ emission (t-CO ₂)	7,083	6,718	6,513	8,679	8,728
Mileage (km)	6,707,850	6,361,524	6,166,813	8,219,405	8,265,458
Truck numbers (in 10 tons)	19,586	17,735	17,375	21,536	21,789

(Shiga and Komaki Works performance)

Comment Comment from Environment & Safety Activity Representative

Attaining Waste-Reduction Targets

To reduce the environmental impact of its operations, the Tokyo Head Office is working to decrease its use of electricity and paper in addition to cutting the volume of waste generated. Tokyo Head Office has set rules regarding the disposal of waste material. By precisely managing disposal procedures, for example requiring that all waste be clearly labeled as to type and that the waste collected from divisions and departments be delivered on designated days (month-end), we have succeeded in identifying what waste comes from which divisions and departments and are attaining targets.

As one facet of environmental conservation efforts in fiscal 2007, air conditioners in Group offices were set to 28°C for the four-month period beginning June 1 and finishing September 30. The Tokyo Head Office is also working to reduce environmental impact and to cut down on power usage. Each and every staff's understanding of environmental issues and the cumulative effects of their efforts, however small, are important to the success of our environmental activities. Daifuku seeks to create environment-friendly workplaces by pushing ahead with steadfast initiatives.



Kazuhiro Aono
Manager of General Affairs
Tokyo Head Office

Reducing Fuel Consumption

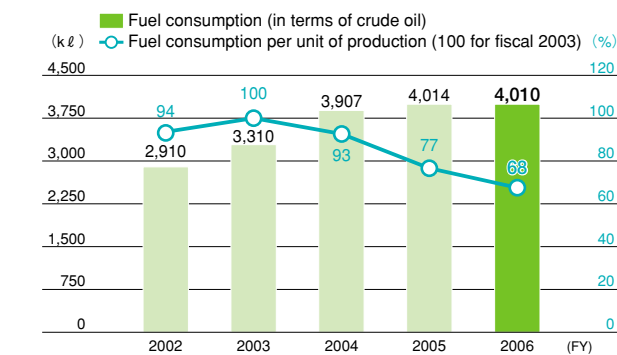
The Shiga Works is a Type 1 Designated Energy Management Factory, and as such is inspected by the Ministry of Economy, Trade and Industry. The Works cleared electricity and heat energy standards. In fiscal 2006, each unit of the Energy Task Force promoted various activities intended to boost energy conservation by measuring and reducing heat energy usage, and reviewing the energy management standards.

At the Komaki Works, air-conditioning is set to energy-saving mode (28°C in summer, 20°C in winter) in an effort to reduce city gas consumption. In addition, the Works has introduced hybrid vehicles to its fleet since fiscal 2005 with the aim of reducing greenhouse gas emissions.

Although fuel consumption in fiscal 2006 increased 21% at both the Shiga and Komaki Works compared with the fiscal 2003 level, fuel consumption per unit of production dropped 32%, considerably clearing the reduction target of 10% of the fiscal 2003 level.

Fuel Consumption

Shiga and Komaki Works Performance



Note: Includes LPG, city gas, diesel oil, and gasoline.

	FY2005	FY2006
Companywide	4,190	4,152
Osaka Headquarters	43	20
Tokyo Head Office	—	—
Shiga Works	3,583	3,688
Komaki Works	431	322
Tokai Branch Office	45	45
Kyushu Daifuku	35	33
Contec	53	44

Electricity Conservation

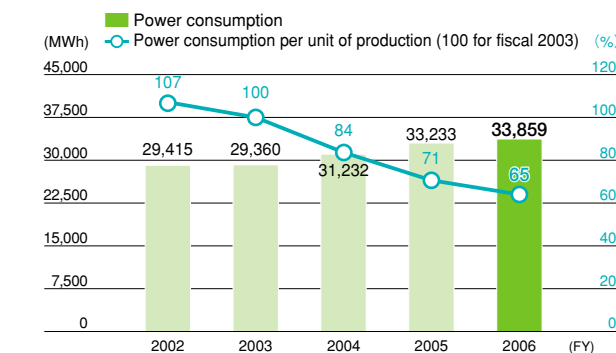
Daifuku is striving to use electricity efficiently in all aspects of its operations.

The Shiga Works is a Type 1 Designated Energy Management Factory for electricity as well as heat energy. In addition to reducing the energy consumption of its manufacturing facilities, Daifuku has installed energy-saving lighting fixtures and sensor-controlled illumination in the Shiga Works' office spaces. The conversion of lighting at the Komaki Works to inverter-controlled fixtures has been underway since the previous fiscal year. In addition, non-production bases at Headquarters and other offices have optimized climate-control temperatures in non-manufacturing spaces and are diligently working to ensure that lights not being used are switched off.

Although electricity consumption in fiscal 2006 increased 15% at both the Shiga and Komaki Works compared with the fiscal 2003 level, electricity consumption per unit of production dropped 35%, substantially clearing the reduction target of 10% from the fiscal 2003 level.

Power Consumption

Shiga and Komaki Works Performance

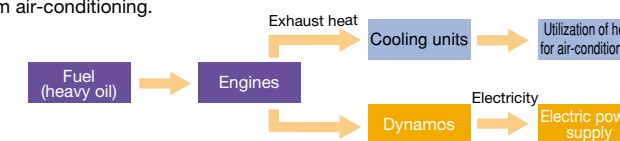


	FY2005	FY2006
Companywide	37,062	37,579
Osaka Headquarters	1,293	1,289
Tokyo Head Office	530	521
Shiga Works	26,129	29,232
Komaki Works	7,104	4,627
Tokai Branch Office	361	307
Kyushu Daifuku	364	295
Contec	1,281	1,308

Column Cogeneration System

Shiga Works Generates 30% of Its Power Consumption

The Shiga Works has the scale of power demand of a Type 1 Designated Energy Management Factory and has engaged in effective utilization of energy by having installed a cogeneration system in 1997. Today, 30% of the overall Works' power demand is generated in-house by the cogeneration system, and its exhaust heat is also effectively utilized as an energy source for cleanroom air-conditioning.



Commenced operations in January 1997

Waste Reduction

Daifuku contributes to environmental conservation by setting standards for the containers, methods, and places for collecting various wastes discharged from specific works. Waste emissions are also centrally controlled to further enhance recyclability.

Waste Reduction

Wastes discharged from the Shiga and Komaki Works are separated and collected to satisfy the following requirements:

- (1) Collect wastes in specialized separate containers.
- (2) Apply labels indicating the type of waste material stored in each container, and only collect predetermined wastes.
- (3) Use empty, sealable cans or similar to collect waste solvents and other dangerous substances that have low flash-points (such as thinners and alcohol). After collection, securely seal the cans and store them in an oil warehouse.
- (4) If any other special waste is generated, designate in advance a separate container, method of collection, storage procedure, as well as other details, and seek the consent of the Waste Task Force before collection.

In fiscal 2006 an Environmental Patrol Campaign was instituted by the Waste Task Force with the cooperation of various divisions. The increase in the volume of production and the scrapping of obsolete equipment reduced waste generation per unit of production by 20% in comparison with the fiscal 2003 level, which achieved the target figure of 20%. Some 70% of the Company's total volume of waste generated is scrap steel, and we will address that in the future through integrated management.

The Company's target for waste recycling is 95%. As a result of vigorous sorting and recycling efforts, the Shiga Works achieved 96% waste recycling, and also the Komaki Works achieved 95% waste recycling, thereby exceeding the Company's target.

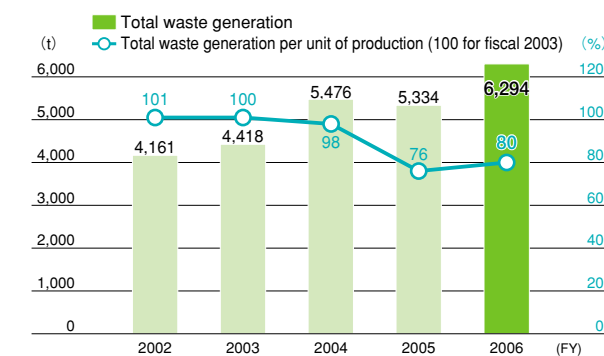
Kyushu Daifuku, Contec and the non-production bases at the Osaka Headquarters, Tokyo Head Office and Tokai Branch Office are practicing thorough separation and collection and to reduce consumption are promoting the use of both sides of every sheet of paper and various forms of digitization.



Waste management board

Total Waste Generation

Shiga and Komaki Works Performance



	FY2005	FY2006
Companywide	5,829	6,762
Osaka Headquarters	207	141
Tokyo Head Office	55	46
Shiga Works	4,648	5,619
Komaki Works	686	675
Tokai Branch Office	22	23
Kyushu Daifuku	154	129
Contec	57	129

Status of Recycling

The Company's target is 95% recycling. Shiga achieved 96%; Komaki 95%.

	Shiga Works		Komaki Works			
	Weight (t)	(%)	Weight (t)	(%)		
Volume of valuable resource sold	4,546	80.9	237	35.1	Recycling	
Volume of waste sold	0	0.0	—	—		
Volume of materials recycled by Daifuku	21	0.4	—	—		
Volume of consignment recycling	858	15.3	404	59.9		
Volume of materials not recycled	194	3.5	33	4.9		Industrial waste (landfill waste)
Total waste generation	5,619	100.0	675	100.0		

Column Sludge Recycling

Recycling Sludge as Cement Materials

In April 2004, the Shiga Works began recycling the sludge from its industrial wastewater, which had formerly been disposed of in landfills, as a raw material for cement.

The Works uses 800 tons of industrial water per day. The bulk of this is used on the painting line. Water containing oil and iron powder is sent to the wastewater treatment plant, and the sludge recovered there is sent to a drying kiln, where it is meticulously crushed into granular form, water content expelled, and reduced to one-tenth its original volume for shipment.

Through the accumulation of this sort of hardworking effort, the Company seeks to reduce waste emissions to zero.

Toward Zero-Emissions

Looking toward a sustainable society, Daifuku has moved to meet its corporate responsibility to practice waste recycling. It has set a fiscal 2006 target of reducing the total volume of waste generation and the volume of its waste disposed of in landfills by 20% compared with the fiscal 2003 level, and is advancing toward a final goal of zero-emissions (which Daifuku defines as 95% waste recycling).

1. Reducing waste consignment to landfills

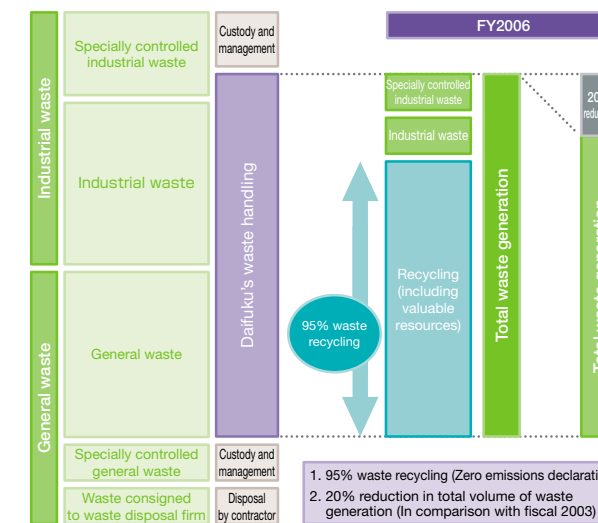
Daifuku is recycling the sludge from industrial waste water, after treating and grinding in a drying kiln, and the cinders from the incineration of wood scrap and other materials, as raw materials for cement. In addition, the Company machine-treats wet garbage to produce compost, which it recycles as fertilizer for the shrubbery on plant premises. The Company promotes recycling the detritus from painting and coating as well.

2. Reducing total volume of waste generation

In addition to waste recycling, the Company is working to reduce the volume of the waste it generates by discarding less scrap steel and other materials that have intrinsic value.

The Company is not limiting its efforts to reducing the volume of waste generated in the course of its corporate activities, but is also incorporating considerations of eventual recycling into its product development activities to make our products more recyclable.

Definition of Waste and Reduction Targets



Reducing Paper Consumption and Recycling

Daifuku is moving forward with reduction of its paper consumption in an effort to conserve forests, which plays an important role in environmental protection.

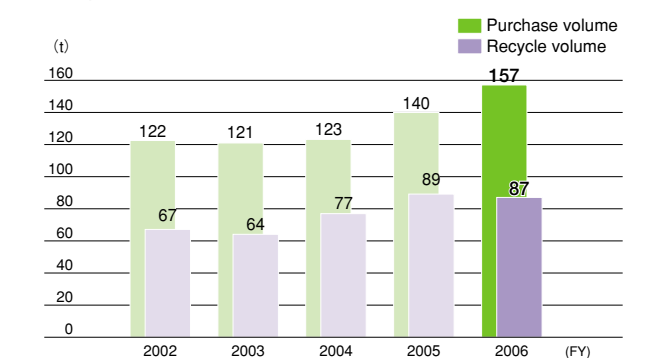
At the Shiga and Komaki Works, high-quality recycled paper is used, and to reduce consumption both sides of each sheet are used and various forms of digitization promoted. These efforts notwithstanding, the volume of paper procurement in fiscal 2006 rose approximately 30% over the fiscal 2003 level, as a result of the increased number of business communications in Japan and overseas and the expanded volume of manufacturing, despite our goal of a 10% reduction. We are pushing for a reduction in paper procurement by each unit switching to the use of digital data.

Not only do we use both sides of our paper, we recycle it as high-grade waste paper. In fiscal 2006, Daifuku's paper recycling rate was up 2% over the fiscal 2003 level, and 55% of all paper procured was recycled.

At the Komaki Works, we are strongly encouraging the use of projectors instead of paper handouts for meetings in an effort to drastically reduce copying of paper documents and to slash paper consumption.

Recycling of Waste High-Grade Paper

Shiga and Komaki Works Performance



Collection of waste high-grade paper

Comment Comment from Environment & Safety Activity Representative

Compliance in Factory Dismantling

The dismantling of the Komaki Works is under way along with the move of its operations to the Shiga Works. Daifuku is making every effort to proceed with the dismantling in an appropriate manner. We are hand-brushing slate that contains asbestos, confirming final disposal sites, washing down machine tools to prevent the leakage of any residual oil and

sorting industrial waste from the plant.

In the current fiscal year, we are emphasizing the careful management of waste material taken from the site, improving the ratio of waste recycled, reducing power consumption and improving the work environment as we proceed with dismantling activities.



Toshiyuki Iwanaga
Manager of Komaki Facility Management
Daifuku Business Service
Komaki Works

Pollutant Emission Reduction and Control

In its production activities, Daifuku uses a wide variety of chemical substances, including some that could have a significant environmental impact. As with other substances, environmental contaminants are periodically reviewed and strictly controlled to reduce their use wherever possible. Efforts are also under way to replace such contaminants with safer substances.

Pollutant Release and Transfer Register (PRTR) control

Daifuku proactively improves its chemical substance control system and complies with the Law Concerning Reporting, etc. of Release of Specific Chemical Substances to the Environment and Promotion of the Improvement of Their Management (PRTR Law) by preventing interference with environmental conservation.

The Komaki and Shiga Works, which handle specified chemical substances, assess their annual emissions and are aggressively substituting them by environment-friendly chemical raw materials.

In fiscal 2006, Daifuku set a target of avoiding the use of toxic chemicals and reduced the use of hazardous substances, while facilitating the use of environment-friendly raw materials. As a result, the consumption of toxic chemical substances decreased 15% from the previous fiscal year.

Daifuku will strive to use low environmental impact chemical materials and provide products that can maintain customer satisfaction.

Prevention of Air Pollution

Based on Ordinance No.25, Clause 1, of the Ordinance Concerning the Reduction of Impacts on the Air Environment of Shiga Prefecture, the Shiga Works is designated as a "place of business subject to a plan to reduce its environmental impacts on the air." Because the plant has a built-in cogeneration system, efforts are made to control and reduce smoke-induced air pollutants. With regard to the maintenance and inspection of facilities, all facilities specified under applicable laws and ordinances are naturally periodically inspected, while other non-specified equipment is voluntarily inspected as appropriate.

● Shiga Works (according to Hino Town environmental pollution control agreement)

Material	Facility	Standard value	Measured value
NOx (ppm)	Dynamos	950	880
	Hot water boiler	120	110
SOx (cu.m N/h)	Dynamos	2.3	0.183
	Hot water boiler	0.57	0.023
Dust (g/cu.m N)	Dynamos	0.10	0.005
	Hot water boiler	0.20	0.001

PRTR Law and Related Chemical Substance Quantity Control (Fiscal 2006: Shiga and Komaki Works)

Control No.	Chemicals	Transaction volume	Emission to:					Transfer to:			(kg)
			Air	Public water	Soil	Land	Total	Product	Misc.	Total	
1	Water soluble zinc compounds	399	0	0	0	0	0	315	84	399	
29	Bisphenol A	2,639	0	0	0	0	0	1,715	924	2,639	
40	Ethyl benzene	5,440	5,440	0	0	0	5,440	0	0	0	
43	Ethylene glycol	884	884	0	0	0	884	0	0	0	
63	Xylene	40,020	40,020	0	0	0	40,020	0	0	0	
224	1,3,5 - trimethyl benzene	539	539	0	0	0	539	0	0	0	
227	Toluene	23,846	23,846	0	0	0	23,846	0	0	0	
230	Lead and its compounds	411	0	0	0	0	0	366	46	411	
309	Poly (Oxyethylene) = Nonyl phenyl ether	2,168	0	0	0	0	0	0	2,168	2,168	

Note: The chemicals used in a smaller quantity than 100 kg per year were omitted because they are negligible.

Total Drainage Levels and Reduction Measures

The basic understanding is that water contamination is a serious problem that can affect soil, agricultural products, living environments, and various other areas. Accordingly, efforts are made to control and reduce drainage from works with meticulous care, while, of course, observing relevant laws and regulations.

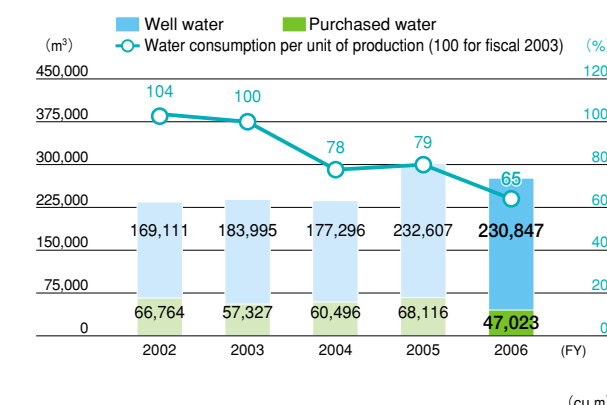
Drainage from production activities at the Shiga Works is processed at comprehensive drainage treatment facilities on the premises, before being discharged into the Sakura River, which is designated as a Class-A river. Drainage from rainwater drains is channeled to a pond that stores water for firefighting. For that reason, the equipment at the Works is thoroughly maintained and inspected, while water discharged from the drainage treatment facilities is measured. Living environmental organisms are measured once a month. Meanwhile, hazardous substance items are measured twice a year.

On the other hand, the Komaki Works has three facilities or equipment requiring water contamination control: a car wash, kitchen (canteen), and painting facilities. Water control involves strict management according to both regional treatment standards and voluntary benchmarks, while monthly monitoring measurements are conducted by an external specialist agency.

In fiscal 2005, the Shiga and Komaki Works significantly reduced water consumption per unit of production by 21% compared with fiscal 2003.

Water Consumption

● Shiga and Komaki Works Performance



	FY2005	FY2006
Companywide	324,500	301,278
Osaka Headquarters	10,855	9,881
Tokyo Head Office	5,619	5,340
Shiga Works	255,056	253,177
Komaki Works	45,667	24,693
Tokai Branch Office	2,034	2,008
Kyushu Daifuku	784	937
Contec	4,485	5,242



A water survey being conducted at the Shiga Works

Result of Final Effluent Quality Measurements

● Shiga Works (in accordance with Clean Water Law, Shiga Prefecture ordinance, and Hino Town environmental pollution control agreement)

Measurement item	Regulation value	Actual results		
		Max	Min	Avg
Amount of drainage (cu.m per day)	—	928.0	434.0	583.0
PH	6.0 - 8.5	7.7	7.2	7.4
SS (mg/ℓ)	20 or less	6.2	1.4	3.0
COD (mg/ℓ)	20 or less	6.5	2.5	4.1
BOD (mg/ℓ)	20 or less	4.0	2.0	2.1
Total phosphorus (mg/ℓ)	1 or less	0.7	0.1	0.3
Total nitrogen (mg/ℓ)	10 or less	7.4	0.5	3.2

Note: An average value is the weighted average.

● Komaki Works (in accordance with sewerage law and Komaki City waterworks department environmental pollution control agreement)

Measurement item	Regulation value	Actual results		
		Max	Min	Avg
Amount of drainage (cu.m per day)	—	—	—	103.0
PH	5.7 - 8.7	7.7	6.8	7.0
BOD (mg/ℓ)	Less than 300	150.0	16.0	35.2
SS (mg/ℓ)	Less than 300	62.0	6.0	17.7
n-hexane/mineral oil (mg/ℓ)	5 or less	1.0	1.0	1.0
n-hexane/organic oil (mg/ℓ)	30 or less	17.0	1.0	3.3



Drainage treatment facilities at the Shiga Works

Before (left) and after (right) drainage treatment

Column Measures to Reduce Noise and Vibrations

■ Pollution Control Agreement Adherence and Monitoring

Daifuku sees measures to reduce noise and vibrations as an important issue that must be continuously addressed.

Noise is monitored and measured, and efforts are made to observe the Pollution Control Agreement. All periodical measurements fell within the agreement-specified levels. Vibrations did not affect surrounding areas.

Noise Measurements

● Shiga Works (dB)

Classification	Morning	Daytime	Evening	Nighttime
	6 am - 8 am	8 am - 6 pm	6 pm - 10 pm	10 pm - 6 am
Hino Town regulation value	60	65	60	55
Measured	42	46	55	53

● Komaki Works (dB)

Classification	Morning	Daytime	Evening	Nighttime
	6 am - 8 am	8 am - 6 pm	6 pm - 10 pm	10 pm - 6 am
Komaki City regulation value	60	65	60	50
Measured	50	54	52	47

Green Procurement

Daifuku believes that one of its most important environmentally conscious priorities is to reform procurement activities. We developed an integrated Environmental Management System that also involves customers and suppliers, and promote green purchasing in-house, in order to be able to offer environmentally conscious products.

Green Procurement Guidelines Formulated

As environmental issues take a more prominent position on the world stage, requests for prohibiting and eliminating the use of hazardous substances that have damaging effects on people and the environment are becoming more ardent.

The European RoHS Directives that regulate the use of hazardous substances such as lead, mercury, cadmium, hexavalent chromium, PBB, and PBDE, which are contained in electrical and electronic equipment, are one example of how overseas laws and regulations relating to the environment have become stricter.

Following these regulations, Japan's domestic electric and electronic manufacturers are at the center of the movement toward establishing green procurement guidelines and abolishing the use of products with hazardous substances.

Daifuku also launched a new environmental compliance project team in July 2004, aiming to provide logistics systems and material handling equipment that are free of hazardous substances. Furthermore, the Company issued its Green Procurement Guidelines in November 2005.

In April 2006, we established the Hazardous Substances Management Task Force to create a structure to eliminate hazardous materials.



Promoting the Purchase of Eco-Products

To raise environmental awareness both inside and outside the Group, Daifuku is promoting the purchase of eco-products. Standards applied to the selection eco-products encompass the use of databases regarding green purchasing networks as well as the use or non-use of environmental labels.

Daifuku also chooses products with low environmental impact when purchasing office supplies.

Excellent Supplier Companies Presented with Supplier Quality Development (S.Q.D.) Awards

We ask for the cooperation of our business partners to help maintain our green procurement activities.

In fiscal 2003, we formulated a supplier evaluation system, and in order to recognize suppliers with excellent performance records, we created the S.Q.D. Award. In fiscal 2006, the fourth year since the system's inception, eight companies were presented with the S.Q.D. award, out of 243 machinery and control system suppliers.

In the future, we plan to progressively include design, engineering and service companies in the scope of assessment. Daifuku's products will undergo checks for the existence of hazardous substances and alternative substances considered for use as part of compliance assessments under the Company's environmental product regulations. In addition, we request the suppliers to undergo testing for hazardous substances and purchase components that are free of such hazardous materials.



S.Q.D. Award Ceremony



Trophy presented to winning companies

Comment Comment from Environment & Safety Activity Representative

Promoting Green Purchasing and the Creation of Environment-Friendly Products

The basic principle of the Daifuku Code of Conduct is to "contribute to society through corporate activities." In keeping with this principle, Daifuku launched an environmental project in fiscal 2004 aimed at eliminating the use of hazardous substances that may have an adverse impact on people or the environment. Having formulated lists of hazardous substances as well as guidelines on green purchasing, Daifuku is actively demonstrating its commitment to environmental preservation activities both inside and outside of the Group. In fiscal 2006,

Daifuku established a specialized task force charged with implementing initiatives persistently and in a concrete manner. During their first year, these task forces drew up guidelines and standards related to the work (surface processing, soldering, etc.) which need to eliminate hazardous substances, defined process approval procedures and standards for these types of work, and began evaluating work processes at related suppliers. By furthering these activities, we will continue to promote green purchasing and the creation of environment-friendly products.



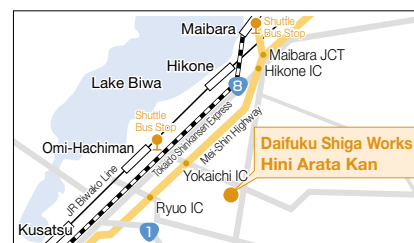
Masaaki Kurachi
Deputy General Manager of Production Management & Hazardous Substances Management Task Force Representative
Shiga Works

Hini Arata Kan, the World's Largest Full-Scale Showroom for Material Handling & Logistics Systems

日に新大館



Hini Arata Kan



■ Facts

Building area: 6,049 sq.m
 Building height: 25.1 m
 Floor space: 19,482 sq.m
 Parking space: 5 buses, 50 cars
 Hours open: 9:00 am - 5:00 pm (Reservation needed)
 Closed: Sunday, National holidays
 Web site:
www.daifuku.co.jp/hiniaratakan/en/
 Phone: (Toll Free) 0120-074-854
 Operated by:
 Hiniaratakan Corporation
 Shiga Works, Daifuku Co., Ltd.
 1225 Nakazajji, Hino-cho, Gamo-gun
 Shiga 529-1692 Japan

Daifuku exhibits its own material handling systems and equipment, together with products from 40 other logistics vendors, encompassing 400 different items in 150 categories. Visitors can view the actual equipment and performance of the state-of-the-art systems in demonstrations of automobile, semiconductor and flat-panel display production lines, as well as storage, transport, sorting and picking systems. At the *Hini Arata Kan*, our experienced staff will guide you through an array of our latest material handling innovations operating under one roof.

Since its opening in June 1994, the *Hini Arata Kan* has welcomed more than 200,000 visitors, with an average of 20,000 people visiting the site annually, including Daifuku customers and an array of groups and organizations.



Hands-on experience in operating equipment



Guided tours can also be taken in English and Chinese.



Semiconductor/FPD production line systems



Unit load AS/RS, pallet-type automated warehouse



Automobile production line systems